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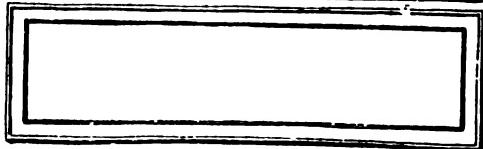
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PROGRESSIVE BUSINESS ACCOUNTING

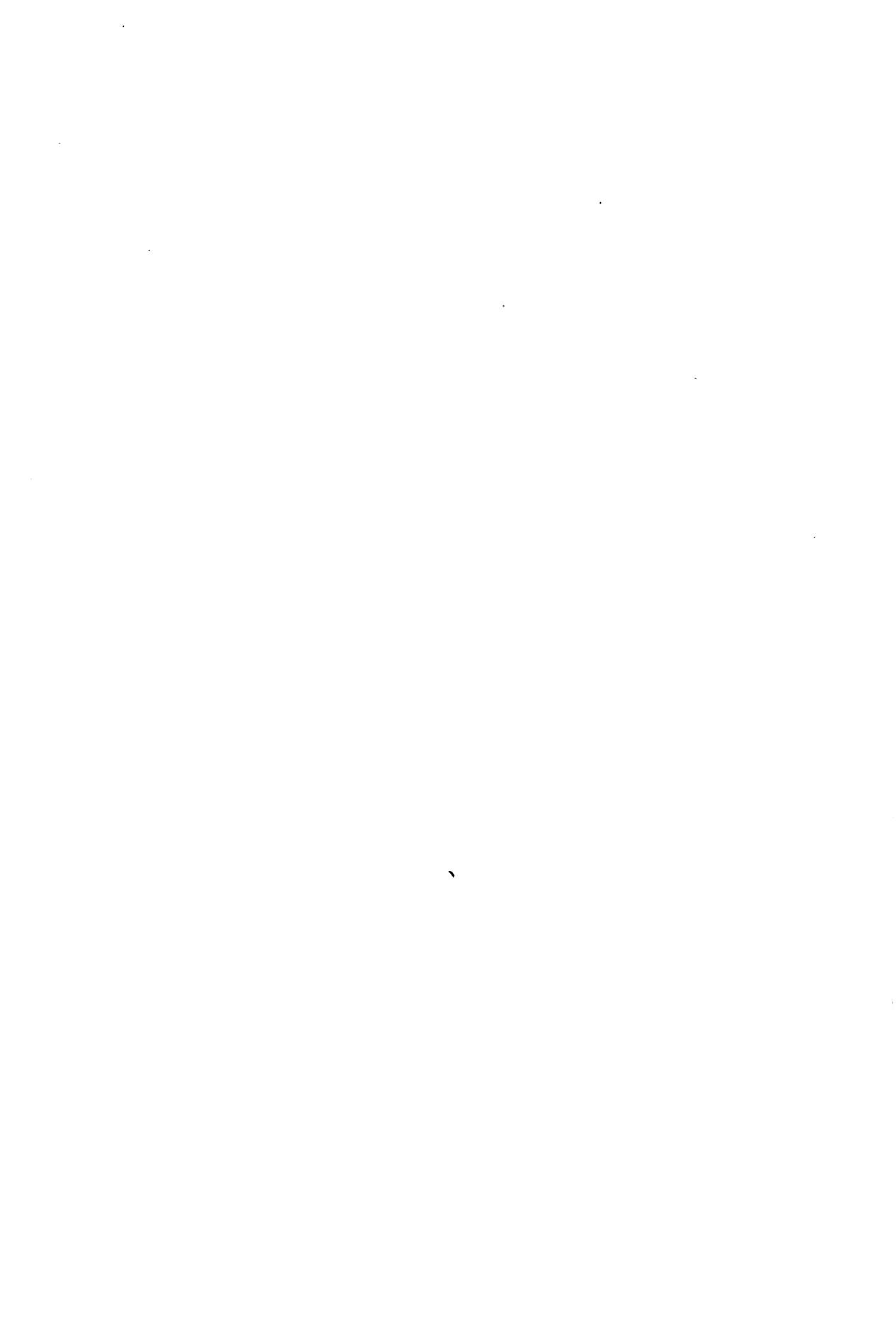




GENERAL DEPT.



C. A. Glover 1/21/13.



UNIV. OF
CALIFORNIA

Progressive Business Accounting

An Elementary Course in Bookkeeping, Busi-
ness Practice, Forms and Usages for Com-
mercial Schools and Individual Reference

Prepared and Illustrated by
LLOYD E. GOODYEAR
Author of Goodyear's Bank Accounting
Joint Author of Goodyear's Higher Accounting

THE WATERLOO SYSTEMS CO.
Waterloo, Iowa

TO MUD
AMERICAN

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EDUCATIONAL DEPT.

PREFACE

In our judgment, the call for new work in elementary bookkeeping refers to a course arranged in direct illustrative lines. Bookkeeping is an application of arithmetic. It would be useless to attempt to discover anything in the principles of single or double entry bookkeeping that is not well established. It would be equally useless to carry a student through the forms of such discovery. The landmarks of accounting have been definitely placed, the principles have been clearly defined. It is the part of a course of this nature to so arrange the facts that in a progressive order each may follow as a result of that which has preceded.

This course consists of twenty-five graded exercises beginning with the ledger form, from that passing to its use, from that to the rules governing its use, and to the other forms contributing to it. The trial balance, statement, and ledger closed are the natural and necessary sequences of the line of demonstration commenced. The subject matter of these exercises has always been chosen with reference to the previous experiences of those taking the course.

Following exercises ten, fifteen and twenty are business practice sets A, B and C. These subject the knowledge acquired in the exercises to a fair business test. The introduction of transactions and forms, outgoing and incoming, used in A, B and C, gives to the accounting principles and facts learned a business setting.

It is claimed for results in the course as here arranged that the student has a more definite knowledge of what to do, and a clearer perception of completion when his task is finished, than in other similar courses now in use. Likewise, the teacher has the maximum control of the students' work with the minimum effort on his part. The slow student cannot seem to be rapid, nor can the progress of the rapid student be covered if the work is taken as outlined, and the accompanying automatic check is used. This is a consideration of importance where one teacher has charge of a large department. A teacher does not want to do any work that a prepared system can do. He wants to teach, not tinker.

The established principles and bookkeeping rules are arranged in numbered information topics, to which reference is constantly made. The forms are reproductions of the work of a practical writer and accountant who never hesitated to allow his work to undergo the test of the first-class business office in first-class competition. The variety of forms will be found extensive.

Exercises I. to X., inclusive, provide a four weeks' course for those who do not intend to pursue the subject further.

It will take the average commercial worker six months' time to complete the entire course.

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- Exercise I. Ruling the Ledger.
" II. Debits and Credits. The Cash Account.
" III. Double Entry. Ledger of Four Accounts.
" IV. Account Titles. Nature and Division.
" V. Ruling the Journal.
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" VII. A Journal-Ledger Group. Opened, Continued, Closed.
" VIII. A Journal-Ledger Group. Opened, Continued, Closed.
" IX. A Journal-Ledger Group. Opened, Continued, Closed.
" X. A Journal, Cash, Purchase, Sales, Ledger Group. Opened, Continued, Closed.
- Set A. Business Practice. Sole Proprietor. 100 Transactions.
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" XIII. Drills in Miscellaneous Journal Entries.
" XIV. Drills in Partnership Opening Entries.
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" XIX. Special Column Group. Opened, Continued, Closed.
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- Exercise XXI. Single Entry.
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Introduction

The principles of accountancy should be understood by every person who aspires to economic independence. The art of bookkeeping is one thing; the science of accounts is another. The former is in the nature of a trade which a person may follow profitably and which, from its close relation to business affairs, may lead to commercial opportunities. The latter is the measure by which the business man from time to time examines the progress of the parts of his business and determines its course. By the accounts kept, the business man should know which of his investments of money or effort are profitable and which are unprofitable, what his property consists of and what his debts are. Knowing these facts, he can discontinue those investments showing losses or small gains, and invest more largely in those showing comparatively greater profits.

In the earlier history of our country, business was quite simple and the profits of all undertakings were large, so that one could often accumulate much wealth without any regard to bookkeeping. Conditions have since changed. With the growing density of population, profits in all departments of trade have become smaller and more intelligence in business affairs has become necessary. Now, the successful man can no longer profitably carry his business in his head, but must carry the facts of his business in his books, leaving his mind free to give its entire power to new achievements rather than to have it hampered by an attempt to carry a mass of details already in hand.

It is the added power to accomplish results which gives to the person skilled in accounts the great advantage over the person deficient in this branch. Throughout history, the persons who have given their attention to the cost and the returns of given lines of action have been the leaders and commanders of the business world. Those who through lack of knowledge or sluggishness have neglected account-keeping have been the servants, often the poorly paid servants of those better informed.

All orderly bookkeeping entries, in whatever books originally made, are entered with a view to their final effect upon ledger accounts. The vital difference between good and bad bookkeeping depends on the clearness or vagueness of the accounts derived from the first records. Hence, it is essential that a bookkeeping student should, first of all ideas, grasp the idea of an account.

Most persons who study beginning bookkeeping need practice in business forms, commercial and legal papers which they will receive and make out for others in business transactions. The papers used should be associated with the transactions involved and should be practiced in connection with the entries until the one will immediately suggest the other. This consideration calls for much of practice and detailed drill in the earlier part of the work. As the student progresses, all needless writing of forms will be dropped. The student should feel, however, that every detail as presented is to be mastered, for only by a thorough mastery of each part can the whole be accomplished.

With this thought in mind, we may safely say that every young person should apply himself diligently to the study of account-keeping. We trust that the person who enters upon this work may realize its relation to his future success, and give to it his closest attention.

TO THE STUDENT

You are required to write several exercises before beginning transactions in actual business. These exercises are in the nature of tests by which you will show that paper, blotter, ruler, pens, pencils, etc., are properly used, and, later, that a knowledge of records and accounts is acquired sufficient to enable you to proceed. Comply with the directions exactly as given. Always think before doing. If at any time errors or blots appear, discard the paper used and prepare another paper so that you can submit to your teacher your best work. These first steps must be taken not hurriedly but carefully.

EXERCISE I

INFORMATION #1. Bookkeeping paper is ruled in two standard ways called **ledger** and **journal**. There are many varieties of each, but the two-column ledger paper and the two-column journal paper are the common forms. At the top of all varieties of ruling are placed three lines running from left to right called **headlines**. These are ruled very closely together, and are placed about one and one-half blue line spaces above the first writing line. The center one of the three headlines should be heavier than the other two. All ruling should be in red ink. From the headlines to the bottom of the sheet are ruled vertical lines, which divide the space into **columns** suited for journal or ledger entries.

EXPLANATION. The purpose of this exercise is to fix in mind the lines and spaces of the ledger ruling and the use of the columns.

DIRECTIONS. Rule a sheet of writing paper in ledger form. To rule the headlines, lay the ruler across the paper with the in-slanting or bevel side downward, so that the edge will not touch the paper. Press the ruler firmly with the left hand and draw the pen evenly from left to right so that the right hand draws a light line. Without lifting the ruler, commence with the pen at the left, turning the pen point inward, drawing the second line somewhat heavier than the one above. Draw the lines as closely together as possible without touching. Draw the third line below the second, making it no heavier than the first.

Next, place the ruler across the top of the paper and make pencil dots exactly in center from left to right, also place dots at bottom of sheet in the same way. Reverse the ruler as before and draw three lines from the headlines to the bottom of the sheet, using the pencil dots as guide, dividing the page vertically into two equal parts. (The left side is called the **debit side**; the right, the **credit side**.)

Measure and rule double vertical lines one and three-eighths inches to the left of the right margins of the debit and credit sides and a single line three-eighths inch to the left of each right margin. (These are the debit and credit **money columns**; the double line preceding dollars and the single line separating dollars from cents, together make one money column.)

Rule a vertical line three-eighths inch to left of each money column. (The space thus made is called the **folio column**.)

Rule two vertical lines five-eighths and one inch from the left margin of the debit and credit sides. (The spaces thus made are **date columns**. The first space for year and month, the second for day of month, are considered one column. The wide space following the day of the month is for explanation. The width of this space depends on the width of the entire sheet.)

PROGRESSIVE BUSINESS ACCOUNTING

DEBIT SIDE												CREDIT SIDE					
$\frac{1}{2}$	$\frac{2}{3}$	Explanation		$\frac{1}{2}$	1	$\frac{2}{3}$	$\frac{1}{2}$	$\frac{2}{3}$	Year & Mo.	day of Mo.	Explanation		$\frac{1}{2}$	1	$\frac{2}{3}$	$\frac{1}{2}$	$\frac{2}{3}$
Year & Mo.	day of Mo.			Volio	Dollars	Cts							Volio	Dollars	Cts		

On the reverse side of the ruled ledger sheet, write answers to the following questions, numbering the answers to correspond with the question numbers. All written answers should be in the form of complete sentences, as shown in the model answers given below. The questions should not be copied.

QUESTIONS. 1. What two common forms of ruling are used in bookkeeping?

Ans. 1. The ledger and journal are the common forms of ruling used in bookkeeping.

2. Describe the headlines.

Ans. 2. The headlines are the ruled lines running from left to right at the top of the written portion.

3. The center vertical ruling of the ledger divides the page into what two parts?

4. Name in their order the four columns in each side of the ledger.

5. Why are the date columns divided into two parts?

6. Why are the money columns so divided?

DIRECTIONS. When you have completed these requirements, write at the top of the ruled page the exercise number, your name, and date, thus:

Ex. 1. John Manning Sept. 1, 1909.

and pass to your teacher for inspection. If the form and answers are incorrect, the paper will be returned to you for correction. If it is correct, the paper will be placed in the college file as a specimen of your work.

PROGRESSIVE BUSINESS ACCOUNTING

EXERCISE II

INFORMATION #2. Business is the process of changing one kind of value into another kind of value.

#3. The purpose of the business man is to exchange things of less value for things that he values more highly, thus making a profit.

Example: A farmer exchanges with a miller a quantity of wheat for a quantity of flour. The farmer has made a profit because the flour is worth more to him than the wheat. The miller has made a profit because the wheat is worth more to him than the flour.

#4. The value of anything in business is measured by the amount of money required to buy the thing.

#5. The amount of profit is shown by the money cost of the thing exchanged as compared with the money value of the thing received for it.

Example: A man buys several automobiles for cash \$10,000, or for other property worth \$10,000 in cash. He sells them, receiving in exchange cash or property worth \$12,000. By exchanging these values in this way his profit is \$2,000.

#6. Persons conduct business by changing their property of one kind into property of another kind, or by exchanging their property with other persons for cash or other property.

Example: A man owns timber land worth \$2,000, and cuts from it wood worth \$1,000, leaving the land of as great value as it was before. This is a business transaction in which no dealing is carried on with other persons. The man simply changes one kind of property into another kind. He now sells the wood to another person who pays him cash \$1,000 for it. This is also a business transaction.

#7. The entire property and indebtedness of any commercial enterprise is referred to as the business.

#8. All records of a business are divided for the purpose of inspection and comparison into different parts called accounts, each of which is considered separately from the whole.

#9. An account is a complete entry of all transactions as they pertain to a given part in the business.

#10. At the head of each account is the title; below to the left are placed the values which the remainder of the business has contributed to this part (debits); to the right are placed the values which this part has contributed to the remainder of the business (credits).

#11. The ledger is the book of accounts.

#12. The following general rule governs debit and credit. It should be committed to memory: Debit the receiving account; credit the giving account.

EXPLANATION. One account in every business is the cash account. This account is important because it shows when and from whence the store of cash at hand receives more cash, or when and for what the store of cash parts with some of the money held. It is necessary to keep this account with great care, because by it one should be able to tell the amount of money available for use.

DIRECTIONS. Rule a sheet of ledger paper as directed in Exercise I. and open a cash account by writing the title **Cash** in the center at the top as shown in the model. The following transactions involve the use of more than one account, but only the one with cash will be considered in this exercise. Write the cash account from the transaction given below, referring to the model as you proceed.

Cash

Sept.	1	Henry Miller	1000	Sept.	2	Pearl Flour	165
	3	Pearl Flour	1750		4	"	275
	7	"	85		6	"	545
	15	Henry Miller	500		18	"	550
	21	Pearl Flour	1500		25	Henry Miller	500
	27	"	72	Oct.	5	Timothy Hay	240
Oct.	7	Timothy Hay	75		10	"	110
	15	"	240				229.5
	15	"	135				
			362.40				

TRANSACTIONS. Sept. 1, 1909. Henry Miller placed \$1,000 into a cash account for use in business.

Debit cash, because cash is the receiving account. (See Infor. 12.) Notice the place for the year, which should always be entered at the beginning of an account. Notice that the explanatory space shows from what source the cash was received. The folio column is not used because this entry is not posted from another book, but is entered directly from the transaction in this place. Notice that the amount is placed in the space of the money column provided for dollars. The place for cents is not used.

Sept. 2. Paid cash for 100 Sk. Pearl Flour @ \$1.65 per sack.

As this is the first entry on the credit side, enter the year as shown. The abbreviation "Sk." stands for sacks or sack. The sign @ means at or each. Enter as shown in the model. Cash is credited because cash is the giving account. Repeat the rule above. (Infor. 12.)

Sept. 3. Received cash for 10 Sk. Pearl Flour @ \$1.75.

Notice that the abbreviation Sept. is not repeated. Any entry following is considered September until a change of month is reached. Notice especially that the figures 17.50 are written exactly in column with figures of same order above and below.

3. Received cash for 50 Sk. Pearl Flour @ \$1.70.
 4. Paid cash for 50 brl. XX Flour @ \$5.50.
Enter as above. See that the figures are in column.
 6. Paid cash for 100 brl. XX Flour @ \$5.45.
 15. Henry Miller places \$500 additional into the cash account.
 18. Paid cash for 100 brl. XX Flour @ \$5.50.
 21. Sold 250 brl. XX Flour @ \$6.00 per brl., receiving cash.
 25. Henry Miller took back \$500 from the cash for use of the business.
 27. Sold for cash 40 Sk. of Pearl Flour @ \$1.80.
- Oct. 5. Bought for cash 20 T. of Timothy Hay @ \$12.
7. Sold for cash 5 T. Timothy Hay @ \$15.
 10. Bought for cash 10 T. Blue Stem Hay @ \$11.
 15. Sold for cash 15 T. Timothy Hay @ \$16, 10 T. Blue Stem Hay @ \$13.50.

DIRECTIONS. At this point the student will subtract the total of cash payments from the total of cash receipts to see the amount of cash that should be on hand. Use a sharp pointed, medium hard pencil with which place the footings of both sides of the account in small, neat figures. (See model.)

From examination of the form it will be seen that the receiving side of cash shows \$3,624.50 taken in at various times. The credit total \$2,385 subtracted from the debit total gives the amount, \$1,239.50, which should equal the amount on hand, if the cash were counted.

On the reverse side of the account sheet, answer in full by sentences the following

- QUESTIONS.**
1. What is meant by the term business?
 2. Why do men engage in business?
 3. What is the measure of values?
 4. How is the amount of profit in any one thing measured?
 5. In what two ways are values in a business changed?
 6. How is a business divided for purposes of inspection and comparison?
 7. What is an account?
 8. What is meant by the title of an account?
 9. What is the name of the book in which accounts are kept?
 10. Give the general rule for debit and credit.
 11. What does the debit side of the cash account show?
 12. What does the credit side of the cash account show?
 13. What does the credit subtracted from debit total of cash show?

Having completed the answers to above questions, at the top of the account side write exercise number, your name, and the date, as directed before, and pass the paper to your teacher for inspection.

EXERCISE III

INFORMATION # 13. In every transaction, value is changed from one or more parts of the business into one or more other parts of the business, therefore

14. In every transaction one or more accounts must be debited, and one or more other accounts must be credited.

15. The debits and credits must be in equal amounts.

16. Double entry bookkeeping is the keeping of books in such a way as to show all debits and corresponding credits in their respective accounts. There must be at least one debit and one credit.

17. The sum of all debit footings will be equal to the sum of all credit footings if the work is correct.

EXPLANATION. The same transactions as given in Ex. II. will be given in this exercise. In this exercise it will be necessary to make entries in all of the accounts affected, instead of in the cash account only. Remember that every transaction involves a debit in one account and a credit in another account. Form the habit of determining which account to debit first, then select the account to credit. Always apply the rule given in Infor. #12.

DIRECTIONS. Take a sheet of ledger paper from your supplies, and open four accounts (see model): Henry Miller, Proprietor, at top; Cash, five lines below; Flour account, twelve lines below, and Hay account, seven lines lower.

TRANSACTIONS. Sept. 1, 1909. Henry Miller invests cash in flour and feed business, \$1,000.

What account should be debited? CASH, because cash is the receiving account. Make the debit entry as in previous exercises, but be careful to enter on line below

Henry Miller, Proprietor

1909	Sept 1 Cash rec'd	500	1909	Sept 1 Cash invest	1000
				15 "	500

Cash

1909	Sept 1 Henry Miller	1000	1909	Sept 2 Glous	
	3 Glous	1750		4 "	
	3 "			6 "	545
	15 Henry Miller			18 "	
	21 Glous	1500		25 Henry Miller	500
Oct	7 Kay		Oct 5		
15 "			10		2305
15 "		135			
		362.50			

Glous

1909	Sept 2 100.40 Pearl	165	1909	Sept 3 10.40 Pearl	1750
	4 50.40 11			5.50 "	85
	6 100 " "			21250.40 11	
	18 100 " "	550		2740.40 Pearl	169450
		1550			

Kay

1909	Oct 5 20.5 Timothy	240	1909	Oct 7 5.5 Timothy	
	1010.7 Blueberry			1515 "	240
		140		1510.7 Blueberry	" 50

500.
362.50
150.5.
1550.
6009.50

1500.
2015.
1674.50
450.
6009.50

"Cash" in the ledger, not on the line below "Henry Miller." Notice that the year is placed at the beginning of all accounts. Notice that in the ledger are some additional blue vertical lines called unit rules. These are to aid in keeping the column straight. The explanatory space in the ledger contains memoranda suited to the transaction. No set form for the memoranda is required. What account

should be credited? Henry Miller account, because this is the giving account. This credit represents Henry Miller's interest in the business. The proprietor's account is usually placed first as here shown.

Sept. 2. Bought for cash 100 Sk. Pearl Flour @ \$1.65.

What account should be debited? FLOUR, because flour is the receiving account. The student may write in the explanatory space such memoranda as will serve to explain best the transaction to him. What account should be credited? Cash. Why? The amounts are omitted in some of the model forms, but should be entered correctly by the student.

Sept. 3. Sold for cash 10 Sk. of Pearl Flour @ \$1.75.

What account should be debited? Cash. Why? Because cash is the receiving account. Why credit flour account?

Sept. 3. Sold for cash 50 Sk. Pearl Flour @ \$1.70.

Remember to enter the debit first, then the credit. Use ditto marks in the explanation column to save writing.

Sept. 4. Bought for cash 50 brl. XX Flour @ \$5.50.

See transaction on Sept. 2, above.

Sept. 6. Bought for cash 100 brl. XX Flour @ \$5.45.

Sept. 15. Received from Henry Miller cash to be added to his investment account, \$500.

Debit Cash; credit Henry Miller, Investment.

Sept. 18. Bought for cash 100 brl. XX Flour @ \$5.50.

Sept. 21. Sold for cash 250 brl. XX Flour @ \$6.00.

Sept. 25. Henry Miller takes back \$500 in cash on his investment account.

Debit Henry Miller, Prop.; credit Cash. Why?

Sept. 27. Sold for cash 40 Sk. Pearl Flour @ \$1.80.

Oct. 5. Bought for cash 20 T. Timothy Hay @ \$12.

What account is to be debited? Hay account. Why? Because Hay is the receiving account.

Oct. 7. Sold for cash 5 T. Timothy Hay @ \$15.

Oct. 10. Bought for cash 10 T. Blue Stem Hay @ \$11.

Oct. 15. Sold for cash 15 T. Timothy Hay @ \$16, and 10 T. Blue Stem Hay @ \$13.50.

DIRECTIONS. After the above entries are completed, pencil foot the debit and credit sides of all accounts. Notice that no pencil footing is required where there is but one item, as in the debit side of the proprietor's account. If correct entries have been made for all transactions, the footings of the debit side of all the accounts should equal the footings of the credit side of all the accounts. Total these footings as suggested and if the debit total equals the credit total, you can consider that the items have been entered in both debit and credit sides correctly. Make these footings using pencil in the explanatory space at the foot of the page, placing the debits and credits in their respective sides.

If correct, write on the opposite side of the ledger sheet the answers to the following

QUESTIONS. 1. What is the effect of every transaction on the business?

2. What sort of entries does every transaction require?

3. What is said of the equality of debits and credits?

4. What is the characteristic of double entry bookkeeping?

5. By what process is one led to believe that all posting has been made in a ledger.

Having completed all entries, if the work is correct and neat, place at the top of the account forms the regular heading and pass to the instructor at once.

EXERCISE IV

INFORMATION # 18. The **Merchandise** account is the account with movable goods which are bought to be sold at a profit.

Remark: In exercise III. the accounts with flour and with hay could have been placed in one account called **Merchandise**. Where many different things are bought and sold it is not advisable to keep an account with each of them. In a store, instead of keeping accounts with each of the small articles, as tea, sugar, starch, raisins, etc., one account called **Merchandise** includes all of them. In a business where Furniture, Hardware, Saddlery and Funeral Supplies are dealt in, each of these divisions is of enough importance to be considered separately, and to have separate accounts rather than to call all **Merchandise**.

19. The **Real Estate** account is the account with houses and lands.

Remark: As with merchandise, if several pieces of real estate are owned for speculative purposes, it would be better to keep an account with each piece separately, giving it a distinct title showing its location. If one property is considered which may be added to or taken away from at different times, the title **Real Estate** is preferable.

EXPLANATION. In the following transactions John Sawyer invests cash in a business in which **Merchandise** and **Real Estate** are bought and sold for cash. These transactions will give additional drill in debit and credit. Refer to Infor. #12 when in doubt as to debit and credit.

DIRECTIONS. Take a sheet of ruled ledger paper from your supplies and open accounts as follows: John Sawyer, Proprietor, on the first line; Cash, fifth line from top; **Merchandise**, tenth line below Cash; **Real Estate**, tenth line below **Merchandise**. As you take up the transactions that follow, remember that every transaction affects a receiving account (to be debited) and a giving account (to be credited). Remember to always enter the debit first, then the credit.

TRANSACTIONS. Nov. 1, 1909. John Sawyer invests in business \$10,000 in cash. (Enter as in previous exercise. The student need not make explanatory entries until instructed to do so in a more advanced part of the book.)

2. He bought for cash sundry merchandise, paying \$6,590.50.

Remark: In this exercise the exact articles bought and sold will not be considered. They are assumed to be entered on bills when the sales are made, which should be kept so that they can be referred to at any time. The student will give his entire attention to debiting and crediting the accounts affected.

3. Sold for cash merchandise per bill rendered, \$1,320.60.

4. Bought for cash merchandise per bill rendered, \$520.98.

4. Sold for cash merchandise per bill rendered, \$4,291.85.

5. Bought for cash a house and ground for \$6,500.

The student at this point may pencil foot the cash account to see how much cash remained. Remember to make the pencil footing so small and so close to the figures just above, that there will be room for an entry on the following line.

Nov. 7. Bought merchandise per bill rendered, paying for it all cash on hand except \$500.97.

7. Paid cash for the improvements of the real estate, \$150.

8. Sold merchandise for cash, per bill, \$32.09.

9. Sold a lot from the real estate for cash, \$800.

10. Paid cash for the additional improvements on the real estate, \$300.

11. Sold merchandise, per bill, for cash, \$650.42.

The student will now find the amount of cash on hand by pencil footing the debit and credit sides of the cash account. Add the previous pencil figures to the amounts that follow, thus the total of the debit column is \$17,094.96.

12. John Sawyer withdrew from the business all cash on hand except \$33.48.

Caution: Compute the amount on a separate sheet of paper, so as not to spoil the ledger sheet.

13. Sold all the remaining merchandise for cash, \$2,200.

15. Sold all the real estate remaining for cash, \$7,500.

DIRECTIONS. Pencil foot the columns in each account, and see that the sum of the debit footings equals the sum of the credit footings as in the previous exercise.

QUESTIONS. 1. What does the merchandise account represent?

2. When should the merchandise account be divided?

3. What does the real estate account represent?

4. When should the real estate account be divided?

5. How can the amount of cash at any time be found?

6. When pencil footing a second time, are the pencil footings above included in the total?

After answering the above questions fully on the reverse side of the exercise, place heading at top of exercise, and submit the work as before.

EXERCISE V

INFORMATION # 20. The ledger contains all the entries grouped with reference to the accounts affected.

The student will readily see that while the ledger shows the results of the business transactions, it does not give a complete record of all the facts pertaining to any transaction, for three reasons: (1) Any transaction appears in at least two different places in the ledger, so that it cannot be seen there in its entirety in one place. (2) There is not room in the ledger to record all the facts relative to a given transaction. (3) It would be impossible to take the time to turn to the ledger accounts and make the required entries when the transactions are being carried out unless the transactions are very few. Therefore, the original entries are not as a rule made in the ledger, but are made in some book of first or original entry and from that book carried to the ledger.

21. The journal or daybook journal, as it is sometimes named, is the book of original entry.

In the journal, entries are made in the order of their occurrence. It contains room for a full explanation of the transactions so that reference can be made to it to refresh one's memory with reference to the exact terms, amounts, and persons involved. Later the student will find that it is advantageous to divide the journal entries according to their kind among other books of original entry, as the cash book, the sales book, the purchase book, but when such books are kept they are to be regarded as parts of the journal, and entries made in them are properly termed journal entries.

22. The journal entry consists of the date of the transaction, the ledger titles affected, a complete memorandum of the transaction, and the amounts.

The journal may be submitted as evidence in case of a dispute requiring legal settlement. For this purpose it is not satisfactory if it shows any erasures, any missing pages, or other indications that entries have been altered after being made. Journal entries should be made immediately after the occurrence of the transaction.

4 in.	4	4	2 inches	2 inches	1 in.	4	1 in.	4
Date		Fol	Titles	Explanation	Debit Money Columns		Credit Money Columns	

EXPLANATION. The student is required to rule a journal in this exercise. Refresh the memory by referring to ruling directions in Exercise I.

DIRECTIONS. Take a sheet of writing paper and rule headlines across the top.

Rule vertical lines, spacing as shown in the form.

After ruling, answer on back of sheet the following

QUESTIONS. 1. Why is a complete record of the transaction not found in the ledger?

2. In what order do entries appear in the ledger?

3. What is the book of original entry?

4. What does the journal contain?

5. What can you say of the erasures in the journal?

6. When should journal entries be made?

Head this exercise as usual and submit your work.

EXERCISE VI

INFORMATION # 23. **Journalizing** is the process of selecting the proper titles to be debited and credited in a given transaction, and of entering them, together with necessary explanation, in a journal, or other book taking the place of a journal.

24. **Posting** is the process of transferring the debits and credits of a journal to the respective accounts of a ledger.

25. **Folio columns** are columns found in all books to or from which posting is done. In the folio column of the ledger is placed the journal page from which an entry has been posted; in the folio column of a journal is placed the ledger page of the account to which the entry is posted. The same is true if posting is done from other books than the journal.

26. Posting is generally done periodically; as, once a day, once a week, or once a month.

27. Any one account can be posted before the others, if it is desirable to do so.

28. The difference between the debit and credit footings of any ledger account is called the balance of the account.

29. A ledger balance showing the debit side greater than the credit side is called a debit balance; if it shows the credit side greater, it is called a credit balance.

30. The sum of all debit balances in a ledger is equal to the sum of all credit balances, if the posting is correctly done.

31. A list of all the open ledger accounts with debit balances in one column and credit balances in another column is called a trial balance, and if the two columns foot equally the ledger is said to be in balance, and hence the posting is assumed to be correct.

The trial balance is sometimes taken daily, as in a bank, but more often monthly. It may be taken at any time desired.

32. The **Livestock** account is the account with domestic animals, as horses, cattle, sheep, etc.

EXPLANATION. In this exercise the student will be required to enter the transactions of a certain business in the journal, to post from the journal to the ledger, and to take a trial balance of the ledger. The ledger posting is to be done daily; that is, all entries of a given date are to be posted before passing to the next date.

<u>Journal of Robert Browning, Waterloo, Iowa</u>			
Sept 1	Cash	These day opened	15000
		Robert Browning a general business	15000
		Cap. investing cash	
		\$15000 "	
2	Real Estate	Buy of C. Nelson	4850
	Cash	for cash paid deed, buildings and ground pay ing \$4850-	4850
7	Mase	Buy of Frank A. Williams for cash	296051
	Cash	mase per share balance \$296051	296051
7	Livestock	Buy of C. Johnson	480
	Cash	for cash at three horses \$480-	480
1	Cash	Sold R. H. Emerson cash	17
2	Mase	10 bushels 17	17
1	Cash	Sold Troy Stone	175
2	Livestock	for cash one horse	175
		\$175 "	
1	Cash	Sold J. Henderson	450
2	Real Estate	for cash lot ad per deed \$450-	450

1909					
Sept. 1	1 Cash	Sold Gen Taylor cash	6215		
	2 Merch.	7 bu. Salt 1 ¹⁰ 3.40		6215	
		2 bushel flour 45 29.			
		5 lbs sugar 35 39.75			
			6215		
	1 Livestock	Bet of Hms Lloyd 1150			
	1 Cash	for cash 7-head horses \$1150-	1150		
	1 Cash	Sold John Hart	1650		
	2 Livestock	for cash 8-head horses \$1650-	1650		
	1 Real Estate	Paid Colman	4290		
	1 Cash	cash for repairs on building \$42.90	4290		

DIRECTIONS. Rule a sheet of writing paper in journal form, both sides, and page the sides 1 and 2. Remember that the odd number pages are always at upper right hand corner, even pages always at upper left hand corner. Rule a sheet of paper in ledger form, both sides, and page the sides 1 and 2. Rule a sheet journal ruling on one side to be used for trial balance. On page one of ledger open an account with Robert Browning, Proprietor, at top, and five lines below an account with Cash. Page 2, open an account at the top with Merchandise, and one-third way down the page an account with Real Estate; two-thirds down the page open an account with Live Stock.

Date your journal at top as in model, using the date there given.

TRANSACTIONS. Sept. 1, 1909. Robert Browning commenced a general business, investing cash \$15,000.

Determine what ledger account must be debited and what account credited.

Enter in the journal, observing closely the form given in the text. Note that the date is given first. Then passing the folio column, enter in the next column the ledger titles affected. The title to be debited is entered on the first line to the extreme left of the space, and corresponds with the amount found in the left or debit money column. The title to be credited is placed one-half inch to the right of the debit title on the line below and corresponds with the amount placed in the credit money column. In the space following the titles write an explanation clear and complete enough to show the facts of the transaction. The explanatory part is in a column by itself and may occupy many more lines than the titles and amounts, if necessary.

Sept. 1. Bought certain buildings and ground, as per deed, of O. Nelson for cash, \$4,850.

First determine the accounts to be debited and credited.

It is not necessary to repeat the same date on journal except when forwarded to a new page, when the date should be repeated.

Enter the titles on the line below the last line used for previous entries or explanation. Remember to enter the debit title and amount first, then the credit title and amount. See model.

Cash.

1909		1909.			
Debit	1	Debit	1	Debit	1
1	\$1 15000	17	1	\$1	4850
1				\$1	2960.51
1		175	1	\$1	480
1				\$2	1150
2		950	2	\$2	1150
2				\$2	4290
2		6215	2	\$2	40
3		1650	3	\$2	5000
		3000	3		

Bought of Grant & Williams a bill of merchandise as per invoice dated today for cash, \$2,960.51.

Bought of Oscar Nelson three heads of horses for cash, \$480.

Debit Live Stock account, because the live stock part of the business receives this value.

Sold R. W. Emerson for cash 10 brl. salt @ \$1.70.

Sold Thomas Stone a horse for cash, \$175.

Sold Samuel Huntington for cash a lot from the real property, as per deed given, for cash, \$950.

DIRECTIONS. As the above closes the first day's entries, the accounts will be posted. Place the journal to the left and the ledger to the right. With blotter on journal under the left hand, move down the column until you arrive at the first debit title, **Cash**. Post this debit to the Cash account as shown in model, entering the date as there shown. In the folio column place figure 1, with "J" before to indicate that the posting was done from page 1 of the journal. Enter the amount in the money column. Then turn back to the journal and place in the folio column of the journal the ledger page 1 on which the cash account appears. Remember that the post marks must be entered at the time of the posting or they will be of little value, as will be shown later.

Next drop your blotter on your journal until you arrive at the following cash debit of \$17, which post to the Cash account also. Be sure to enter the page of the journal in the ledger and the page of the ledger in the journal when the posting is done. Pass down to the other Cash debits of \$175 and \$950, which post as before. (See model.)

After cash debits are posted, post the next unposted debit. It is the debit of Real Estate \$4,850. This account is on page 2 of the ledger, hence, when you have posted to this account, place 2 before the title in the journal.

Post the next debit, Mdse., as before. Post the last unposted debit, Live Stock, to the Live Stock account. Look up the folio column to see if each of the seven debit titles is preceded by a post mark. If so, proceed to post the credits.

Begin with Robert Browning credit, which post to that account on page 1 of ledger. Next post all the Cash credits—three in number. After that to Merchandise, Live Stock, and Real Estate.

Read Infor. # 27, 28, 29, 30, 31.

Trial Balance, Sept. 1, 1909.

1 Robert Browning, Prop.	15000
1 Cash	795149
2 Merchandise	294351
2 Real Estate	3900
2 Live Stock	305
	15000 15000

Trial Balance, Sept. 2, 1909.

1 Robert Browning, Prop.	15000
1 Cash	897094
2 Merchandise	218196
2 Real Estate	394280
2 Live Stock	195
	15195 15195

Trial Balance, Sept. 2, 1909.

After you have posted the ledger, take a **Trial Balance**, heading your Trial Balance sheet as shown in the model form. (1) Enter all the ledger titles with their pages on the trial balance sheet. (2) Find the debit or credit balance of each account and place that balance in the debit or credit column of the trial balance sheet. Pencil footing need only be done in the cash account. After the balances are entered, foot and rule a single addition line above the footing and double closing lines below the left side of the page and the footings, as shown.

The books being found in balance, the student will proceed to journalize the transactions of Sept. 2. Continue on page 2 of the journal.

TRANSACTIONS. Sept. 2. Sold George Taylor, for cash, 2 brl. salt @ \$1.70, 20 sk. flour @ \$1.45, 5 sk. sugar @ \$5.95. Make journal entry. Why is Cash debited? Why is Merchandise credited?

Bought of Wm. Floyd, 7 head of horses for cash, \$1,150.

Sold to John Hart for cash, 8 head of horses for \$1,650.

Paid Clayton Smith, cash for repairs to building, \$42.90.

Debit Real Estate. Why?

DIRECTIONS. The student will now post the ledger as before, and after posting, pencil foot all the accounts having more than one item and take a trial balance. Rule a heading across the page below that already made. No space should be wasted, as three trial balances are to be taken on this sheet.

The student will observe on examining the trial balance that on this date three accounts show that these divisions of the business have received more value than they have given. Which are they? Two accounts show

two divisions of the business have given more value than they have received. Name them.

TRANSACTIONS. Sept. 3. Sold to O'Keen & O'Keen for cash all merchandise on hand, per bill, receiving \$3,000.

Bought of George Taylor, for feed of live stock, 30 bu. corn @ 50c, 2 T. hay @ \$12.50, paying cash.

Debit Live Stock. Why?

Bought of William Floyd, as per deed, adjacent real estate for cash \$5,000.

DIRECTIONS. Post the entries of the 3d to the ledger accounts, pencil foot, and take a third trial balance, recording it below the trial balances of the first and second.

On the reverse side of the trial balance sheet write answers to the following

- QUESTIONS.** 1. What is journalizing?
2. What is posting?
3. Explain the use of the folio column.
4. What do you understand by the balance of an account?
5. What are the two kinds of ledger balances?
6. What is the trial balance? Of what value is it?
7. How often are the trial balances most frequently taken?
8. When are post marks to be entered?
9. What does a debit balance show with reference to an account?
10. What does a credit balance show?

DIRECTIONS. After answering the above questions, write the transaction number, your name, and date at the top of first page of journal, first page of ledger, and trial balance sheet, and pin these three sheets together in the upper left-hand corner, having the pin at the angle shown in the illustrated journal, and hand all in for inspection.

EXERCISE VII

INFORMATION # 33. The **Furniture and Fixtures** account is the account with movable property of permanent value purchased for the general use of the business; as, chairs, tables, stoves, shelves, counters, etc.

34. The **Teams** account is the account with horses, wagons and the like, used for delivery of goods or other work.

35. The **Expense** account is the account of things to be consumed for the general benefit of the business; as, books and stationery, fuel, hired help, rents, etc.

36. The **cash value** of an account is the selling worth of the remaining property charged to that account. This is found by making a list of the property and its worth, called an **inventory**.

37. The **gain** of an account is the excess of the sum of its total credits and its cash value over its total debits.

38. The **loss** of an account is the excess of its total debits over the sum of its total credits and its cash value.

39. Once each year (or other period) the losses and gains are carried from the commercial accounts to the proprietor's account. This process is called **closing the ledger**.

40. The balance of the proprietor's account after the transfer of gains and losses from the other accounts shows the **net worth**.

EXPLANATION. In the following, accounts will be opened with Proprietor, Cash, Merchandise, Furniture & Fixtures, Teams, and Expense. The student will be required to post certain entries of transactions to these accounts, after which he will take a trial balance to verify his posting. He will then close the ledger, after which he will take a second trial balance after closing.

DIRECTIONS. Take a sheet of journal and one of ledger, paging them. Open accounts in the ledger with H. A. Oliver, Proprietor, allowing 10 lines; Cash, 15; Merchandise, 10; Furniture & Fixtures, 10; Teams, 10; Expense, 10.

In the purchase or sale of merchandise the student will not be required to write any items or prices, as it is assumed that all items are entered on bills, copies of which are retained for reference.

TRANSACTIONS. Dec. 1, 1909. H. A. Oliver begins business with following property: Cash, \$2,560; Merchandise, cash value, \$6,290; Teams, cash value \$725.

In this transaction, three accounts receive values. These should be journalized as shown in model form on page 69. One account (Proprietor) gives the entire value. This account should be credited with their sum.

Paid Edward Reed for rent of store room to January 1, 1910, \$30.

Debit Expense. Why? Expense is the receiving account.

Paid the Eastern Mfg. Co. for furniture and fixtures as listed on their bill, \$269.40.

2. Sold O. O. Wolcott, for cash, merchandise per bill, \$69.54.

Sold Geo. Gerry, for cash, merchandise per bill, \$132.60.

Sold James Smith, for cash, merchandise per bill, \$16.47.

Paid cash for books and stationery for store use, \$23.90.

Paid cash for feed and care of horses, \$10.

4. Bought of Gwinnet, Lyman & Co. merchandise per bill, for cash, \$1,231.60.

4. Paid Oscar Anderson, cash for wages to date, \$6.
(Debit Expense.)

6. Sold Frank Lightfoot, for cash, merchandise per bill, \$295.81.

15. Sold to Edward Read the property charged to Teams, receiving in payment a refrigerator and other fixtures per bill valued at \$800.

18. Paid Oscar Anderson, wages to date, \$24.

20. Sold Samuel Huntington, merchandise per bill rendered, \$650.29, receiving cash in payment.

30. Paid John Sawyer cash for fuel, per bill, for heating purposes, \$42.80.

DIRECTIONS. After above entries have been journalized correctly, post, pencil foot the ledger, and take a trial balance, dating the trial balance Dec. 31, 1909. Use a separate sheet of paper for the trial balance.

Read Infor. # 37, 38, 39, 40 again.

INFORMATION # 41. When the ledger is closed, the losses and gains from all accounts are posted to one account called the **Loss & Gain** account. This account shows all losses on the debit side, and all gains on the credit side. The difference between the total losses and total gains is called the net gain or the net loss. The net gain or loss is posted to the proprietor's account or otherwise disposed of.

42. When a ledger is closed, and at other times to be mentioned later, entries are made directly in the ledger account; i. e., they are not posted

F.A.Oliver - Capricorn

1109		1904	
Seem. Induction	1002701	See 1	8' 4575
		31 class Exam C2	4.52.01
	1002701		1002701
		1905 2nd 1	Net March
			1002701

		Cash			
1909					
Dec 1	\$1	7560	Dec 1	\$1	30
2	\$1	6954	1	\$1	26940
2	\$1	12260	2	\$1	7360
2	\$1	1647	3	\$1	10
6	\$1	29581	4	\$1	173160
20	\$1	65079	4	\$1	6
		11077			
			18	\$2	74
			30	\$2	4210
					10870
					322471
Jan 1	Balance	208701			

		Merchandise			
1909					
Dec 1	\$1 6790	Dec 2		\$1 6954	
41	\$1 173164	2		\$1 13760	
Inventory Cr	67111	2		\$1 1647	
		6		\$1 29581	
		20		\$1 65029	
		31	Inventory	\$1 510	
	801421				801471
Jan 1 Inventory	6850				

Furniture & Fixtures

1909				
Dec 1	Dr	76940		
15	Dr	800	C2	
		106940		106940
Jan 1 Inventory		1050		

Trade

1909				
Dec 1	Dr	725 ¹⁹⁰⁹ Debit	Cr	800
15	Dr	10		
		800		800

Expense

1909				
Dec 1	Dr	30		
2	Dr	2390	C2	
11	Dr	6		
30	Dr	4280		
		12670		12670
Jan 1 Inventory		40		

Loss & Gain

1909				
Dec 31 Furniture	Dr	1940 ¹⁹⁰⁹ Debit	Cr	49311
31 Expense	Dr	8670	Cr	Trade C2 65
		55811		55811

to the ledger from some other book. Such entries are made in **red ink**, the red indicating that the entry is to be posted to the opposite side of some other account or to the opposite side of the same account below the ruling. When a red ink entry is posted to the opposite side of some different account, post marks should invariably be placed in the folio columns of both accounts. When the entry is posted below the ruling in the same account, the post mark is not needed. Sometimes the posting of a red ink entry in a ledger is called "carrying" the amount. This term is properly used when it refers to posting from one side to the other of the same account.

43. To close a ledger, six steps are required.

First Step. Enter (red ink) the cash values of accounts showing loss or gain, using the explanation "Inventory."

Second Step. Enter (red ink) the difference of accounts showing loss or gain in the lesser side, writing in the explanatory space the title "Loss and Gain."

Third Step. Rule the loss and gain accounts; carry (black ink) the inventories to the opposite side below the ruling; post (black ink) the Loss and Gain entries to the opposite side of Loss & Gain account, using for explanation the name of the account you are closing.

Fourth Step. Enter (red ink) the difference of Loss & Gain account in the lesser side, writing in the explanatory space the title (usually proprietor) of the account to which the net gain or loss is to be posted, and rule the account.

Fifth Step. Post (black ink) the entry of Loss & Gain account to the opposite side of proprietor's account. Enter (red ink) the difference of proprietor's account in the lesser side, using explanation "Net Worth," rule the account, and carry (black ink) the net worth to opposite side below the ruling.

Sixth Step. Enter (red ink) the difference of accounts that do not show loss or gain in the lesser side, using the explanation "Balance," rule the accounts, and carry (black ink) the balance to the opposite side below the ruling.

As a proof of work, trial balances should be taken before and after closing. The form and method of taking inventories are explained in **A 95**.

DIRECTIONS. After taking the trial balance, proceed to close the ledger.

Find the cash value of each account except the proprietor's.

Cash—By counting the cash we could find that the amount held is \$2,087.01, which is equal to the balance shown by the ledger account. The account, therefore, shows neither loss nor gain.

Merchandise—By taking an inventory or list of all merchandise on hand we could find that the cash value of goods not sold is \$6,850.

Furniture & Fixtures—By taking an inventory of property charged to this account, we could find that it is now worth \$1,050.

Teams—No property remains in this account.

Expense—Of the property charged to this account, we could find that what remains has a cash value of \$40.

As directed in the first step, the student will now enter the present inventories to the credit of Mdse., Furn. & Fixt., and Exp., as shown in the model, using red ink.

As directed in the second step, enter the differences of Mdse., Furn. &

Fixt., Teams, and Expense, using the posting title Loss & Gain.

Open an account with Loss & Gain, five lines below the last account. Rule the loss and gain accounts as directed in the third step, observing closely the model. Place footings between the addition lines and the double closing lines showing the accounts in balance. Carry the inventories down in black ink under the date Jan. 1, 1910. Notice there is no inventory to carry down in Teams account. Post the Loss & Gain entries.

As directed in step four, enter the difference of Loss & Gain account, placing in explanatory space the title of the proprietor's account; rule and foot the account.

As directed in the fifth step, post to proprietor's account and close that account.

The sixth step requires accounts not showing loss or gain to be balanced. There is but one such account in this set, Cash. Rule, foot, and carry balance down as in model. Be particular about the dates.

Take a second trial balance after closing, under date Jan. 1, 1910.

Write on the back of the trial balance paper the answers to the following **QUESTIONS.** 1. What kind of property is represented by Furniture & Fixtures account?

2. What does Teams account represent?
3. What does the Expense account represent?
4. What is the cash value of an account?
5. How is the gain of an account found?
6. How is the loss of an account found?
7. What is meant by the term Inventory?
8. How is an account showing gain or loss closed?
9. What is the purpose of opening the Loss & Gain account?
10. What does the balance of the proprietor's account show after receiving the net gain or loss?
11. Why are original entries in the ledger made in red ink?
12. How is a ledger account ruled to show that it is closed?
13. What are done with inventories and balances of accounts after the accounts are closed?
14. Under what date is it customary to carry down the proprietor's net worth, the account balances and the inventories.
15. Give the six steps of closing a ledger.

DIRECTION. Submit your work for inspection as instructed in previous exercises.

EXERCISE VIII

INFORMATION # 44. Purchase or sale of property refers to one person exchanging value with another person.

45. Property is purchased or sold in exchange for cash, or for other property, or for claims against others.

46. The usual business claims against others are notes or accounts.

47. Our ledger title for claims held against others in form of notes is Notes Receivable.

48. Our ledger title for claims not in writing against others is the name of the person against whom the claim is held.

49. Our ledger title for claims in the form of notes held by others against us is **Notes Payable**.

50. Our ledger title for the claims not in writing in favor of others is the name of the person who has the claim against us.

51. Accounts with notes and with persons, like the cash account, are assumed to have a fixed cash value, as they represent an actual amount in money neither more nor less to be paid or received, hence they are not expected to show losses nor gains. For this reason they are called **financial accounts**, as opposed to the accounts representing things for which money is given or received called **commercial accounts**.

52. For convenience in handling accounts, place the commercial account first in a ledger, and the financial account in a second division.

The cash account is a financial account, but as it represents actual value in hand, it is placed among the commercial accounts. In a business requiring comparatively many cash entries, the cash account is placed in a separate cover from the rest of the ledger accounts.

53. When closing a ledger, the financial accounts are left standing without any change other than to balance them, unless their values have been impaired.

EXPLANATION. The following exercise will as briefly as possible give the opening, journalizing, posting, and closing of business transactions involving both commercial and financial accounts.

DIRECTIONS. Open a ledger of two pages, placing on the first page the titles, J. B. Emery, Proprietor, 6 lines, Cash 8 lines, Merchandise 8 lines, Furniture & Fixtures 5 lines, Expense 5 lines. On page 2, Notes Receivable 5 lines, Notes Payable 5 lines. Below the Notes Payable account enter the personal accounts as they are opened, allowing 5 lines to each. Use a sheet of journal paper, first page for journal entries and reverse page for trial balance and answers.

TRANSACTIONS. June 1, 1909. J. B. Emery began business, investing cash \$3,000 and one note against D. Minkler for \$1,000.

Debit Cash, and Notes Receivable. Be sure to give the name of the payer of the note, as this name is to be carried to the explanatory space in the ledger when the posting is done.

Paid to Geo. Coleman, store rent to July 1, \$40.

2. Bought of Grant & Williams, on account, Mdse. per their invoice dated June 1, \$1,850.12.

Credit Grant & Williams' account, because that title represents a claim against us given to others in exchange for the Mdse. received.

3. Bought of P. Keenan & Co., furniture and fixtures for store use, per their bill of June 2, amounting to \$360.49, giving our 30-day note in payment.

Credit Notes Payable, because that account represents a written claim given in exchange for the property.

4. Sold O. O. Wolcott, on account, a bill of goods amounting to \$69.42.

Debit O. O. Wolcott, because that title represents a claim received in exchange for the property.

6. Sold Thomas Stone for his 10-day note, bill of goods amounting to \$211.64.

Debit Notes Receivable, because that title represents written claims received.

7. Paid Grant & Williams on account, \$500 cash.

Debit G. & W., because this is the title of the claim receiving the cash.

8. Received cash of D. Minkler, \$1,000, in payment of his note.

Credit Notes Receivable, the giving account.

10. Sold Geo. Taylor, on account, Mdse. per bill, \$650.91.
10. Bought of Grant & Williams, Mdse. per invoice, on account, \$729.40.
30. Bought of Gwinnett, Lyman & Co., for our 60-day note, Mdse. per bill, \$2,640.30.

DIRECTIONS. After the journal is correctly completed, post all accounts, remembering to open accounts with Grant & Williams, O. O. Wolcott, and Geo. Taylor.

After posting, take a trial balance on reverse side of journal paper, dating the trial balance June 30, 1909; then close the ledger.

Enter inventories as follows: Merchandise, \$4,325; Furniture & Fixtures, \$360.49. The financial accounts are considered worth face.

Merchandise and Expense are the only accounts showing losses or gains. Close them into Loss & Gain account, and balance Cash, Notes Receivable, and Notes Payable. Rule only double closing lines when the columns do not require totals to show equality in closing.

Post the inventories to the debit of the accounts, under date July 1. Take a trial balance, July 1, using the same balances in the financial accounts on page 2 as in previous trial balance.

- QUESTIONS.**
1. In what three ways is property sold?
 2. In what forms are the two usual business claims against others?
 3. What is our ledger title for notes in our favor? For notes against us?
 4. What is the ledger title for claims against persons on open account?
 5. What are financial accounts?
 6. What are commercial accounts?
 7. How are financial accounts treated when closing the ledger?
 8. Why do we debit the name of the person who buys of us on account?
 9. Why do we debit Notes Receivable when a person buys of us for a note?
 10. What are included under the title of Notes Payable?

DIRECTIONS. Having completed the work, write the heading at top of the two papers, placing journal above, ledger below; pin carefully as before and pass in for inspection.

EXERCISE IX

INFORMATION # 54. Labor is a valuable thing which may be exchanged for cash. A person's labor value is measured commercially by the amount of money he can earn in one year.

55. Interest or the use of money is a valuable thing measured by the amount of money that one dollar will earn in one year.

56. Labor account and Interest account enter largely into many kinds of business.

57. Persons who keep books to show the general results of their labor or business should make a monthly journal entry which shows the result of a month's transactions in labor, cash, etc., and should close the books once each year.

58. The business year does not necessarily begin on January 1. It may begin on the month which makes the starting date most convenient for the work in hand.

59. A person's small daily receipts and disbursements of cash should be kept in a memorandum book from which the items are to be totalled and charged to the appropriate accounts at the end of the month.

EXPLANATION. In the following exercise the student will keep the books of a capable young person, showing his accounts with labor and his receipts and disbursements of cash during the year in which he takes the course in a commercial college. Accounts are to be kept with Proprietor, Cash, School Expense, Living Expense, Labor, Interest and Notes Payable. The accounts here kept in a small way are like in nature to accounts of similar titles if kept in a large business.

DIRECTIONS. Use a folded sheet of journal paper; page it 1, 2, 3, and 4. And a folded sheet of ledger paper, paging it 1, 2, 3, and 4.

Open accounts in the ledger, allowing John Manning, Proprietor, 10 lines, Cash the remainder of page 1; School Expense 15 lines from top of page 2, and Living Expense the remainder of page 2. Labor 15 lines from top of page 3; give Interest and Notes Payable equally the remaining space on page 3. Post the entries monthly.

TRANSACTIONS. On Sept. 1, 1909, John Manning begins a year's business, the purpose of which is to devote his time in such a way as to make the most use of it. He is a young man who is able to earn \$6 per week or \$312 per year. We will consider his coming year's work worth \$300. He has on hand cash, \$100. He invests the cash and the year's work. Make an opening journal entry, debiting cash \$100, Labor \$300, and crediting John Manning, Proprietor, \$400.

Remark: It will be noticed that the proprietor gives to the coming year's work a cash value based on what he could earn as shown by the previous year. If he is able to get more than that amount from his labor, the Labor account at the close of the year will show a gain over expectation. If he gets less than that amount, the result will show a loss. He should so direct his labor as to make it more valuable than it was the year before.

<i>Journal of John Manning, Waterloo, Iowa</i>				
Sept 1	Cash	Began one year's business records	100	
	Labor	John Manning with investment broke off year's work $\frac{1}{2} \times 31/2$ cash value	300-	400.
		cash on hand	100-	
			400-	

He buys a nine months' scholarship in a business college for \$90, and text books and stationery for \$10, paying cash. (Debit School Expense, because that part of the business receives value.)

Borrowed of his father, Ezra Manning, \$150, on a note payable two years from date with interest at 6 per cent, payable semi-annually.

Paid Mrs. Close, cash for board and room one month, \$13. (Debit Living Expense.)

Sept. 30. The Cash memorandum book shows that during the month cash was paid for clothing, for room and board to Jan. 1, 1910; this does not include the first month's board; for entertainments, for society, dues, etc., \$55.45, to be charged to Living Expense. There was paid for a dictionary and a penman's paper, \$1.50. Charge to School Expense. During the month no time was lost. One month's labor, valued at \$25, was therefore given to School Expense. The month's entries of debits and credits are to be grouped in one entry, thus:

Sept 30	Living Expense	General total of debt	55.45
	School Expense	cash and labor acct	26.50
	Cash	from daily item book	56.95
	Labor		25

Note that the total debits equal the total credits. As this completes the entries of the month, post to the ledger accounts.

Oct. 31. The memo. book shows paid during the month of October for Living \$5.30, for School Expense \$2. One week's work in school was lost, so that \$20 will be considered the amount to pass from Labor account to the School Expense account. (Make a journal entry as in September. Post as before.)

Nov. 30. The memo. of cash payments this month shows Living Expense to be \$4.20, and School Expense \$30. A full month's labor was passed to School Expense at \$25.

Dec. 31. Cash payments for month per memo. are: Living Expense \$33.90, School Expense \$27.80, which includes \$22.50 passed from Labor account as two days' school work was lost on account of sickness. (Journalize and post.) Pencil foot the cash account to show amount now remaining. Is the amount there shown \$29.05? If so, the account is correct.

As your business year closes Aug. 31, 1910, instead of Dec. 31, 1909, place the year date 1910 in the date column of all accounts under the last date. Place year under the blue line in about the same way a pencil footing is placed, so as not to interfere with the entry on the next line.

Jan. 31, 1910. The cash payments for the month, including three months' board, as per memo. book, are: Living Expense \$40.16, School Expense \$3.80. One full month's labor is given to School Expense \$25. On Jan. 3, borrowed cash \$40 of father, Ezra Manning, giving a demand note for the amount. During the month there was received cash, per memo., for work done on Saturdays, \$5.50. The correct entry is as shown below.

1910	Cash	General total of debt	45.50
Jan 31	Living Expense	cash and labor acct	40.16
	School Expense	from daily item	28.80
	Cash	book	43.96
	Labor		30.50
	Notes Payable		40

Feb. 28. Cash payments for February, per memo. book, are Living Expense \$8.50, School Expense \$.80, one-half year's interest on father's note \$4.50. Labor passed to School Expense \$25. Cash was earned by extra labor during the month \$8. (Journalize as in model.)

Feb 28	Cash	General total of debt	8
	Living Expense	cash and labor acct	1.50
	School Expense	from daily item book	2.50
	Interest		4.50
	Cash		13.80
	Labor		8.8

Pencil foot the cash account to see the amount of cash on hand. If \$24.79 is shown, the amount is correct.

March 31. The cash memo. shows paid for Living Expense \$3.13, School Expense \$.80, Labor passed to School Expense \$25. Cash was earned during the month by extra labor, \$7.50.

April 30. The cash memo. shows paid for Living Expense \$15.20, School \$.20. Passed to School Expense from Labor account, \$25. Earned during the month by extra labor \$8. Is the cash on hand shown to be \$20.96?

May 31. Living Expenses in cash for month \$15.50, School Expenses \$30.50, of which \$5.50 is credited to Cash and \$25 to Labor. Earned during the month, \$7.25 in cash.

The nine months' course in college is now completed. Compare cash receipts with cash payments to see amount on hand. If correct, the books should show a balance of \$7.21.

June 6. Began work for the Drew Manufacturing Co., as assistant book-keeper, receiving a temporary salary of \$9 per week. (Copy this memo. in the explanatory space of the journal, entering the date but no titles or amounts.)

June 30. From the memo. book appears the following cash and labor items for the month: Paid for sundry items to be charged to Living Expense, \$21. Received month's salary in cash, \$27. (Debit Living Expense and Cash; credit Labor and Cash.)

July 31. Received July salary in cash, \$38.

Paid during the month, cash for Living Expense, \$19.50.

Aug. 31. Received August salary in cash, \$40.

Paid for living expenses during the month, \$20.25, and for the demand note to Ezra Manning, \$40; also interest on the demand note, \$1.59, and six months' interest on the \$150 note, \$4.50, making the interest in all, \$6.09. After all entries are posted, take a trial balance on an extra half sheet of the journal paper.

The Drew Mfg. Co. have offered John Manning a salary of \$60 per month for the ensuing year, which he has accepted. (Make memo. in journal.)

Preparatory to closing ledger, account of cash on hand is made showing \$5.37. The salary earning capacity for the ensuing year is \$720, to which an inventory value of \$700 is given. Enter this inventory to the credit of Labor account, and carry the gains or losses of School Expense, Living Expense, Labor, and Interest through Loss and Gain account to the proprietor's account and close that account. Close the proprietor's account, carrying down the net worth.

Take a trial balance.

On the reverse side of the trial balance, write answers to

QUESTIONS. 1. Has labor a cash value in business?

2. How is the value of labor measured?

3. How is the use of money valued?

4. How often should the earnings of labor and the personal expenses be entered in the journal?

5. Does a business year always begin on January 1?

6. How often should the ledger of one's personal business be closed?

DIRECTION. Submit your work for examination.

EXERCISE X

INFORMATION # 60. The common transactions in a mercantile business are of three kinds: (1) the purchase of merchandise, (2) the sale of merchandise, (3) the handling of cash.

#61. In addition to the above kinds of transactions, there are a number of unclassified transactions.

#62. A standard system of bookkeeping divides the original entries among four books, viz.: the Purchase Book, the Sales Book, the Cash Book and the Journal.

#63. The Purchase Book contains the entries for the purchases of merchandise.

#64. The Sales Book contains the entries for all sales of merchandise.

#65. The Cash Book contains the entries for all receipts or payments of cash.

#66. The Journal contains all entries not provided for in the other three books.

#67. By dividing the original entries among four books, the amount of posting can be reduced, the entries can be more conveniently made, and the records of past transactions can be found more readily.

#68. In a mercantile or buying and selling business, the accounts with persons require the most careful use of explanatory columns in the ledger, because the facts of an account are repeatedly referred to when paying or collecting bills.

#69. The ledger should be divided into three parts: (1) general accounts, (2) purchase accounts, (3) sales accounts. When a business becomes large enough, these three parts are placed in three separate ledgers.

#70. All purchases of merchandise are footed in the purchase book and the total is posted to the debit of the Merchandise account on the last day of the month.

#71. The cash book is so arranged that the debit and credit footings are the same as they would be if posted to the ledger, hence no cash account is required in the ledger.

EXPLANATION. In this exercise the student will make illustrative entries in the four books of original entry above outlined, will post same and will take a trial balance. Keep clearly in mind that every transaction involves a debit and a credit. Also keep in mind that where there are many debits to Merchandise in the purchase book, or many credits to Merchandise in the sales book, much time and labor can be saved by posting all of the entries in one total rather than by posting one at a time.

DIRECTIONS. Take one folded sheet and one half sheet of journal paper. Page the folded sheet 1, 2, 3, and 4, and the half sheet page 1. Use page 1 of the folded sheet for the purchase book, pages 2 and 3 for a cash book, and page 4 for a sales book. Use page 1 of the half sheet for the journal and head them as shown in model.

Take a folded sheet of ledger paper and page it 1, 2, 3, and 4. Use pages 1 and 2 for general accounts, 3 for purchase accounts, and 4 for sales accounts. Write these headings on the ledger as on the other books. Divide the ledger space equally among the six accounts on pages 1 and 2. Clayton Smith, Propr., Merchandise, Furniture & Fixtures, Expense, Notes Payable, Notes

Receivable. Space the personal accounts one-third page each as required. It is important that the student follow all instructions as outlined in the notes following the transactions.

Journal of Clayton Smith, Kalispell, Mont.

1909 July 1	Clayton Smith began business as dealer in metallic grain bins investing cash \$500 as entered in Cash Book folis 2.
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TRANSACTIONS. July 1, 1909. Clayton Smith began business as a dealer in galvanized grain bins used by farmers for storing wheat, oats, barley, etc. He invested cash \$500.

A memo. of the opening should be made in the journal. (See model.) The cash invested should be entered in the debit side of the cash book. This entry has the effect of debiting Cash because the cash book is the cash account. The account of Clayton Smith, the proprietor, is credited from the cash book. Notice that there is space in the cash book for title to be posted, and for explanation. After making the entry debiting Cash, post from debit side of cash book to credit side of proprietor's account. In the ledger folio space write "C2" to show that the posting was taken from the cash book page 2. After posting, place the ledger page in the folio column of the cash book.

Paid cash for rent of ware house one month \$15.

This should be entered in the credit side of the cash book, thus crediting the Cash account. The debit title, Expense, is written in the title column and the explanation follows. (See model.) After entry, post at once to the debit of Expense. Post mark in cash book. What account is debited? What account is credited?

Bought an office desk and chairs for cash \$12. (Enter in cash book and post to Furniture & Fixtures.)

Purchase of property other than merchandise cannot be entered in the purchase book as the total purchases charge to Mdse.

Paid for a desk room in an office one month \$6.

Cash Received

Waterloo Metal Culvert Co.

1909			1909		
<u>July 1</u>	cs.	54	<u>July 5</u>	cs.	101
14	cs.	54	12	cs.	1260
16	cs.	500			

Paid for lumber for shelving in ware house, \$18.50. (Charge Furniture & Fixtures.)

Sent an order to Waterloo Metal Culvert Co., for a 1000 bu. galvanized grain bin enclosing in the order cash per draft for \$54, to apply on the purchase price.

This purchase is not made until the article ordered is sent. The only entry required is the payment in the cash book. Debit Waterloo Metal Culvert Co. Open this account at the top of page 3 of ledger.

Pencil foot the cash book to show the amount on hand. If the amount shown is \$394.50 the work is correct.

July 5. Received from Waterloo Metal Culvert Co., by freight, 1 grain bin, 1,000 bu., billed at \$108, account 10 days.

After entry is made, post the amount to the credit of the firm from whom pur-

chased. As 10 days' time of payment is allowed, write "acct. 10 da." in the explanatory space of ledger. After posting, be sure to post mark the folio column of the purchase book.

July 10. Paid for livery hire in soliciting orders for grain bins, \$12.
(Charge Expense.)

Cash Paid

1909					
July 1	3	Expenses:	Rent warehouse etc.	15	
	1	Furniture & fixtures	Office desks, etc.	12	
		Expense	Bush room & Lang.	6	
		Furniture & fixtures	Lumber for shelving	10.50	
		Hatbox Metal Co. on acct		5.4	
10		Expense	Livery hire	12	12.50
14					
16					
16		Manning Sales & Co. on acct		50	
31		Expense	Livery hire	18	239.50
31			Balance	7.50	-1.50
					985

Purchase Book

July 5	3	Waterloo Metal Culvert Co.	Yel 104			
		1 - 1000 bu Metal Grain Bin				108
17		Waterloo Metal Culvert Co.	Yel 104			
		6 - metal grain bins @ 108			648	
		4 - 1500 "	"	120	480	
		1 - 1500 "	"	132	132	1260
18		Manning, Dale & Co.				
		2 - 1200 bu Metal Grain Bin @ 112.50				
		2 - 800 "	"	90		
20		Waterloo Metal Culvert Co.	general			
		8 - 1000 Metal Grain Bin @ 108				
		1 - 750 "	"	100		
31	1	Waterloo				2413

July 12. Received invoice from Waterloo Metal Culvert Co., on 30 days account consisting of

6 metal grain bins 1000 bu.	@ \$108
4 " " " 1250 bu.	@ \$120
1 " " " 1500 bu.	@ \$132

July 14. Sent cash to Waterloo M. C. Co., to pay balance due on bill of July 5, \$54.

Enter in cash book as before and post to debit of Waterloo Metal Culvert Co. Observe that the two debits of \$54 each equal the one credit of \$108. This shows that the bill is paid. When a bill is paid make X mark opposite the credit and the balancing debit amounts to show that settlement of that part has been made. (See model.)

July 15. Sold William Floyd 1 grain bin, 1000 bu., on account, \$135.

Enter in sales book as shown in model. Open account with William Floyd at top of page 4 of ledger. Enter ledger page in sales book after posting.

Sold Frank Lightfoot, on account, 3 grain bins, 1250 bu., @ \$150, 1 grain bin, 1,500 bu., @ \$165. (Open account page 4, one-third down the page.)

Received of Frank Lightfoot, cash to apply on above purchase, \$350.

Enter in the debit side of cash book as in model and post to the credit of Frank Lightfoot's account.

July 16. Bought of Manning, Dale & Co., 2 metal grain bins, 1,200 bu., @ \$112.50; 2 metal grain bins, 800 bu., @ \$90.00, on account.

Enter in purchase book and open account as before. Remember that purchase accounts are on page 3 of ledger.

Paid Waterloo Metal Culvert Co., on account, \$500.

Enter in cash book; post to ledger.

Paid Manning, Dale & Co., cash on account, \$50.

July 17. Sold George Taylor, on his 30-day note, 2 M. D. & Co. 800 bu. bins @ \$112.50.

Enter in sales book as in model. Post to Notes Receivable account in ledger.

Sold George Gerry on account 1 M. D. & Co. 1200 bu. bin @ \$140.

Open account on page 4.

Sales Book

July 15	4	William Floyd	90			
		1-1000 bu W.M.C. Co. Bin				135
		Ezra Lightfoot	90			
		3-1250 bu W.M.C. Co. Bin	150	450		
		1-1500 bu " "	165	165		615
17		Grover Taylor	30 d. Note			
		W.M.C. 2-1000 bu M.D. & Co. Bin	112			
		Geo. Gerry	90			
		1-1200 bu M.D. & Co. Bin	140			
		Edward Read	6 m. note			
		W.M.C. 1-1000 bu W.M.C. Co. Bin	135			
		1-1200 " "	140			
24		William Floyd	90			
		2-1000 bu W.M.C. Co. Bin	135			
		1-1250 bu " "	150			
31		Made Co.				2080

Sold Edward Read for his 6 months' note, 3 W. M. C. & Co. 1000 bu. bins @ \$135, 1 M. D. & Co. 1200 bu. bin @ \$140.

Enter and post to Notes Receivable.

July 22. Sent Waterloo M. C. Co. a 60-day note for \$760 to balance their account.

A journal entry is required. Debit W. M. C. Co.; credit Notes Payable. See model entry. When posting, use X marks.

Received cash of William Floyd in full of account, \$135.

Place X marks before the amounts to show payment.

July 24. Sold William Floyd on account 2 W. M. C. Co. 1000 bu. bins @ \$135, 1 W. M. C. Co. 1250 bu. bin @ \$150.

Bought of Waterloo Metal Culvert Co., giving in payment a 90-day note, 5 W. M. C. Co. 1000 bu. bins @ \$108, 1 W. M. C. Co. 750 bu. bin @ \$100.

Post to credit of Notes Payable.

July 31. Paid for livery hire \$18, cash. (Charge Expense.)

DIRECTIONS. As this is the close of the month, totals are to be posted and a trial balance taken. Rule an addition line at the foot of the amounts in the purchase book, foot and double rule as shown in model. All of the items in this book have been posted to the credit of the firms from whom the purchases were made. The total is to be posted to the debit of the merchandise account. Indicate this posting and post mark as there shown.

Foot, rule, and post total of sales book to the credit of the Merchandise account. Pencil foot the debit and credit columns of the cash book, and carry the pencil footings to the second line. The total receipts less the footings to the second line as shown in model. The total receipts less the

total payments, shows a cash balance of \$245.50 remaining. Enter this balance in the credit side in red ink and rule addition lines on the final debit and credit column. Be sure to rule the addition lines at equal distances from the top, not one above the other. After ruling, carry the balance below the ruled space as in model.

Take a trial balance, entering the cash balance first, and the ledger accounts after. This is to be placed below the entries on page 1 of the journal.

Close the ledger; the financial accounts following expense need not be balanced. The inventories are:

Mdse. 6—1000 bu. W. M. C. Co. bins @ \$108, 1—750 bu. W. M. C. Co. bin @ \$100. Furniture & Fixtures, valued at \$20. Place the Loss & Gain account at foot of page 2. Take a trial balance after closing and copy it below the trial balance already taken.

On the back of the journal sheet write answers to the following

QUESTIONS. 1. What are the three common kinds of transactions in a mercantile business?

2. Are there occasionally other kinds of transactions?
3. What four books of original entry may be used?
4. What entries does the purchase book contain?
5. What entries does the sales book contain?
6. What entries does the cash book contain?
7. What entries does the journal contain?
8. By dividing the original entries among four books, what three advantages are secured?

9. What can you say of the use of the explanatory column of the ledger in personal accounts.

10. The ledger is divided into what three parts?
11. When a purchase book is used, how is Mdse. debit posted?
12. When a sales book is used, how is the Mdse. credit posted?
13. Why are the cash book totals not posted to the cash account in the ledger?
14. How is the cash book balanced?
15. What two books must be referred to in taking a trial balance?

DIRECTIONS. After answering the above questions, pin your work as before directed, purchase book at top, then ledger, then journal, with questions at back, and submit for inspection.

Set A

BUSINESS PRACTICE

TO THE STUDENT:

If you have mastered the principles presented in the preceding ten exercises, you will find the following work not only comparatively easy, but very profitable as well. At this point, you are to begin business transactions in your own name. You will make business papers, handle cash, buy and sell, collect accounts and in other ways conduct your business as a business man. If you are independent in action, if you use your own mind to think out your problems, if you are industrious, patient and thoughtful, you will develop into one of the most valued members of society—a well-poised business man. Kindly remember that however important a person's work, he cannot afford to slight the details, for the little things like small coins will eventually amount to important values. Never avoid any sensible problem, however hard. Grind the rough kernels of the business world into the finest flour. Remember that of the thousands that have a smattering of bookkeeping knowledge, very few are masters of accounting. The few that are masters can command business success at almost any time, almost anywhere.

EXPLANATION. You are to begin a jobbing business which you will own as sole proprietor. You will be instructed, as each transaction arises, how to conduct it in the proper way, how to prepare the proper papers, etc. You will begin business with a capital in cash. This you will take care of exactly as a good business man should. The work is divided into periods for the purpose of measuring your progress, but these periods need not interfere with your always using the current date for your transactions. Keep your desk, books, papers, etc., in such a condition that any matter of past business can be referred to promptly when desired.

DIRECTIONS. Have journal, cash book, purchase book, sales book, and ledger ready for use.

The Journal, Cash, and Trial Balance will be a book of twelve pages. Use pages 1, 2, and 3 for Journal; 4, 5, 6, and 7 for Cash Book, and pages 8, 9, 10 and 11 for Trial Balances and Statements.

The Purchase Book, Sales Book and Inventory Book will be in one cover. Use twelve pages, 1 and 2 for the Purchase Book, 3 to 10 for the Sales Book, and 11 and 12 for Inventories.

The Ledger will require four folded sheets with the index at the front. Page it 1 to 14, beginning with the sheet following the index. Allow pages 1 to 6 for general accounts, 7 to 9 for purchase accounts, and 10 to 14 for sales accounts.

INFORMATION # 80. In a ledger of any size it is necessary to transfer all of the titles to an alphabetical list called an **index**. (See model.) The titles are entered as written in the ledger with the page on which the account may be found following, so that the page on which any desired account is kept may be promptly found. In the case of the names of persons or firms, the surname is placed first, followed by the initials or given name. A bookkeeper should form the habit of indexing accounts as soon as entered.

INDEX.

DIRECTIONS. Place the following general accounts in your ledger and index them when placed: Student's name, Proprietor 1, Merchandise and Furniture & Fixtures 2 (each one-half page), Expense 3, Interest & Discount and Merchandise Discount 4 (each one-half page), Notes Payable and Notes Receivable 6 (each one-half page).

When purchase or sales accounts are opened, allow each one-third page, beginning with the first page of the purchase or sales divisions.

EXPLANATION. Your business in the following transactions is that of Jobber, a person who buys from manufacturers or importers and sells to dealers certain commodities in quantities. Your location is that of an important trade center and your dealings will be with city customers.

A 1. Begin business with a cash capital of \$5,000.

DIRECTIONS. The currency for opening is at the desk of the teacher, who has it in charge for you. Count the money carefully and if correct, make the opening entry. Use the local address and the current date. Make memo. of the opening in the journal (see form in Ex. X). Make entry for posting in cash book as in Ex. X, and post to the credit of the proprietor's ledger account. Do not forget to post mark. Place the currency in your cash drawer. Do not proceed until you are sure that you actually have the right amount of cash, and that the journal, cash book, and ledger records are correct.

INFORMATION # 81. It is the principal business of a bank to keep on deposit the cash of business men and to lend them money when they require it. Business men usually deposit the greater part of their cash on hand, so as to avoid the risk of carrying any large amount of money in the cash drawer. The money deposited remains in the bank subject to the order of the depositor. The banks require that when cash is deposited, the depositor make a deposit ticket on which is given the date, name of depositor,

DEPOSITED BY
John Manning
IN THE
Citizens Savings Bank
WATERLOO, IOWA
Sept 1 1909

DEPOSITED IN THE
FIRST NATIONAL BANK
OF WATERLOO, IOWA
By A. O. Kennedy Jr.

and the amount and kind of money deposited. The bank provides a pass book, to be held by the depositor. In this book the bank teller places the date and amount of each deposit. These entries in the pass book are in the nature of a receipt for all moneys left. The pass book is carried by the depositor and should always be taken to the bank when a deposit is to be made.

A 2. Deposit in the bank all cash on hand, \$5,000. Place the bills neatly, right side up, with deposit ticket at top, and all in the pass book. Secure a package of deposit tickets and pass book of your banker.

In passing any papers out, write the transaction number in the upper left corner.

The teller of the bank will require you to leave your signature in a book or on cards kept for that purpose, to compare with other signatures of yours on other papers. Having made the deposit, examine the pass book to see that the teller has entered the amount correctly.

INFORMATION # 82. A check is an order drawn on a bank, directing the bank to pay a certain sum of money to the proper person presenting it. The bank, after paying the check, charges the amount against the amount to the credit of the depositor. The check should be filled in writing with great care, to guard against its being altered by any persons who handle it. A check is usually made payable to the order of some person, which signifies that the person to whom it is written (called the **payee**) can either present it to the bank, or he can pass it as cash to some other person by indorsement; i. e., writing name across the back, and the latter person can present it for payment. The person drawing or signing the check is called the **drawer**. The bank on whom the check is drawn is called the **drawee**.

Checks are most conveniently kept in books, from which they may be removed as issued. The part remaining in the book is called the stub, and on it is the full record of the check. The stub should also show the balance in the bank, each check amount being deducted from the previous balance and the remainder carried forward to the next stub.

The check stub should be filled before filling the check. See model stub and check.

No. 1	\$50.00
July 1, 1929	
to	
Coleman R.E.C.	
V.O.R.	
Reports Awaiting	
Bal't for'd	DOLLARS CENTS
Deposited	5000
Total	50
This Check	50
Car'd for'd	49.50

Waterloo, Iowa, July 1, 1929	No. 1
FIRST NATIONAL BANK	
Pay to Coleman Real Estate Coor Order, \$50.00	
Lucky x. 07/1, 1929	Dollars
John Manning	

A 3. Rent of your real estate company a store room and basement at 168 Market St. for a period of one year, paying cash by check for one month's rent, \$50.

DIRECTION. Fill out stub and check as shown in model, detach the check and carry the balance of your deposit left in the bank forward to the next stub. At the real estate office, inform the agent that you desire to rent the property as mentioned. Hand him the check for the first month's rent and take his receipt for the amount. The receipt which he gives you should state what the payment is for. The real estate agent will prepare and hand you a copy of the lease (the contract between landlord and tenant) as soon as practicable.

INFORMATION # 83. Vouchers in business are the written evidence of business transactions. The receipt given you above is a voucher showing that you have paid a certain amount of cash for a certain purpose.

DIRECTIONS. Stamp the receipt on the back with the voucher stamp, giving it the voucher "No. 1." Show the debit and credit titles affected by this transaction on the back of the voucher. Make entry in the cash book, charging Expense. For explanation write "Rent one month V. #1" to indicate that a full record of the transaction will be found on voucher No. 1. Place the voucher in the paid vouchers file, and post the cash book entry to the ledger. The payment of cash by check has the same effect on your cash balance as a payment in currency would have.

A 4. Pay the Acme Furniture & Fixtures Co. a bill of office and store furniture and services amounting to \$362. Give your check for the amount and take a received bill. Stamp this bill on the back V. #2, show debit and credit titles and make a cash book entry charging Furniture & Fixtures, and post the entry to the ledger. File voucher No. 2 away after folding it in such a way as to place the number uppermost.

A 5. Draw from the bank \$50, to be spent in sundry small cash payments; about ten bills of currency.

DIRECTIONS. Write a check payable to "Cash" and place on the back of the check the denominations of the bills wanted. Deduct this check from your bank balance, but make no cash book entry, since this is simply changing the kind of cash you hold without changing the amount.

A 6. Pay Martin Cole \$4.25, and Evert Houser \$4 for help in arranging store. Take \$8.25 to the general agency and hand the cash with a ticket explaining the transaction to the clerk. There is no voucher required for this transaction. (Charge Expense.)

A 7. Buy of the Mullen Stationery Co. books and stationery for office use amounting to \$28.75, for which pay by check. Receive their received bill, which stamp on back and number V. #3. Enter in cash book to debit of Expense, and post.

A 8. Buy a cash register of A. DeVoe, paying for it by check, \$90. Receive received bill as usual, which number "V. #4." Enter and post.

A 9. Buy of the City Ice & Fuel Co. coal amounting to \$28.60, for which give your check. (Number and file their voucher; charge Expense.)

A 10. Balance the cash book: (1) Pencil foot the credit side and subtract from the total of the debit side on loose paper. (2) Count the cash on hand and add it to the amount in the bank. (3) The two together should equal the balance shown by the cash book. If correct, the balance is \$4,432.40. Write the balance in red ink, rule, foot, and carry down, as you were instructed in Ex. X.

Cut a ticket from your writing paper exactly four inches from left to right and three inches from top to bottom. Fill this card as shown in model form and pass it to the teacher's desk.

<i>A/c. John Manning. June 19, 1909.</i>	
<i>Cash in drawer</i>	<i>41.75</i>
<i>Cash in bank</i>	<i>4390.65</i>
<i>Total</i>	<i>4432.40</i>

A 11. Buy of Kuhn, Aldrich & Co. the following goods:

- 20 bx. #1 Chocolate.
- 20 cs. Condor Coffee.
- 10 cs. Gem Glucose Syrup.
- 10 cs. Good Quality Ground Pepper.
- 25 pl. Town Talk Mixed Candy.

Milwaukee, Wis. *June 15, 1909.*

Kuhn, Aldrich & Co.

Please deliver

-
-
-
-
-

Terms on acct.

John Manning

DIRECTIONS. The order for the goods should be written on an order sheet, of which a carbon copy is to be retained in the office. Insert the carbon carefully between the sheets and write the order with pencil as shown in the form.

Remove the upper sheet and take it to the office of Kuhn, Aldrich & Co., who will bill the goods to you at ten days. On receipt of the bill, compare it with the order, and if the goods delivered are as ordered, compute the extensions and addition. If found correct, write O. K. and your initials at the bottom of the bill. Fold the bill so that it will easily slip into your voucher file, stamp it with a voucher stamp on the back, and show that the debit title is Mdse. and the credit title is K. A. & Co. Enter the bill in your purchase book, as in model, and place the bill (V. #6) in the file for vouchers payable.

<i>Purchase Book</i>					
'909	Jane 15, 1909	Kuhn, Aldrich & Co.	40104		
		Mdse per V#6			31750

Open an account with the firm of whom purchased at the top of page 7 of your ledger, index the account, and post the credit, writing in the explanatory space of ledger "V. #6 a/c 10 da.," folio mark in ledger and in purchase book.

A 12. Buy of Esmond Canning Co. on account:

- 15 cs. Ideal Tomatoes.
- 15 cs. Red Raspberries.
- 50 cs. Royal Sweet Corn.
- 50 cs. Lima Beans.
- 10 cs. Holt Co. Gooseberries.

DIRECTIONS. Fill the order sheet, present it, and receive bill, which you will audit, and enter as before. Be careful that no mistakes in billing are made. Note carefully the terms. Stamp "V. #7" and show debit and credit titles as instructed in **A 3.** Enter in the purchase book and file the vouchers with vouchers payable. Open an account with Esmond Canning Co. on page 7, one-third from top. Index, post, and post mark. Notice that the terms of this bill differ from the terms of the previous bill.

A 13. Buy of the Ajax Biscuit Co. on account:

- 10 doz. 1# Box Oatmeal Crackers.
- 20 doz. 1# Box Graham Crackers.
- 20 cs. Big White Elephant Biscuit.
- 50 doz. 3# Soda Crackers.
- 10 doz. 1# Delicoes.
- 5 can 12# Emperor Bars.
- 5 can 10# Mapline Wafers.

Proceed as before. The character # after a number means pounds.

A 14. Sell to W. A. Damon, 129 Sixth St., on account 10 days:

1 bx. #1 Chocolate	@ \$4.20
2 pl. T. T. Mixed Candy	@ \$2.40
1 cs. 10# G. G. Syrup	@ \$2.50
5 es. Royal Sweet Corn	@ \$2.05
2 es. B. W. Elephant Biscuit	@ \$2.35

DIRECTION. Make a full entry of this sale in Sales Book as shown in the model form below:

Sales Book

<i>Jan 20, 1901</i>		<i>W. A. Damon</i>	<i>4110 1/2</i>			
		129 South St				
1	doz.	#1 Chocolate	4.20			
2	pk.	J.J. Mixed Candy	4.80			
1	cs.	10# Red Drums	2.50			
5	cs.	Royal Sweet Corned	1.05			
2	cs.	A.H. Elephant Bisc.	2.35	4.70	26.45	

Copy this sale on a bill head, using one of your bills received as a model. When the bill is correct deliver it to W. A. Damon. Open an account with W. A. Damon at the top of page 10 and index it. Do not forget to place the street number after the name of the account. The street number may not be mentioned again in future transactions, but should be found by referring to the ledger. Post the sale to the debit of this account, naming the terms as in purchase entries.

A 15. Sell Cole & Camp, 38 Market St., at 10 days net:

10	cs.	Lima Beans	@	\$1.90
2	cs.	Condor Coffee	@	\$8.20
5	doz.	1# Graham Crackers	@	\$1.30
8	doz.	3# Sodas	@	\$3.00
1	can	12# Emperor Bars	@	\$1.68
1	can	10# Mapline Wafers	@	\$1.80

Enter and bill as before. Open the account on page 10, one-third from top. Hereafter bill sales at 10 days net until otherwise directed.

A 16. Sell DeLong & Co., 1248 Ebersole Ave.,

2	cs.	Holt Co. Gooseberries	@	\$2.60
1	cs.	Red Raspberries	@	\$2.90
1	cs.	1/4# Extra Pepper	@	\$3.00
10	cs.	Ideal Tomatoes	@	\$2.60
2	doz.	1# Oatmeal Crackers	@	\$1.30

Enter and bill as before.

<i>Jan 21, 1901</i>		<i>Courtney, Seal</i>	<i>4110 1/2</i>			
		427 Sixth Ave				
5	cs.	Condor Coffee	1.20	4.1		
10	pk.	J.J. Mixed Candy	2.40	2.4		
5	cs.	10# Red Drums	2.40	12		
5	cs.	Ideal Tomatoes	2.60	13		
3	cs.	Red Raspberries	2.90	8.70		
10	bs.	1 Peaches	5.40	54		
4	bs.	Enap apples	4.60	18.40	17.110	
		<i>Total Forward</i>			<i>306.63</i>	

Sales Book

1909 Jan 22	Forward	30663
Muscat & Hennessy	4/10.00	
43. Eighth Ave.		
70 lbs Mint Lmonds	80	16
5 cs Red Raspberries	2.90	14.50
1 cs K.C. Gooseberries	2.60	2.60
8 doz #1 Graham Crust	1.90	10.40
4 cs B.H. Elephant	2.40	9.60
5 lbs D. Prunes	4.25	21.25

A 17. Buy of Sunset Fruit Co. on account:

- 40 bx. #1 D. Peaches.
- 40 bx. AA Prunes.
- 40 cs. #1 Raisins.
- 40 bx. Evap. Apples.

Fill order sheet, which present and receive bill as usual.

A 18. Sell Courtney & Son, 427 Sixth Ave., on account:

5 cs. Condor Coffee	@	\$8.20
10 pl. T. T. Mixed Candy	@	\$2.40
5 cs. 10# G. G. Syrup	@	\$2.40
5 cs. Ideal Tomatoes	@	\$2.60
3 cs. Red Raspberries	@	\$2.90
10 bx. D. Peaches	@	\$5.40
4 bx. Evap. Apples	@	\$4.60

Complete the transaction as usual.

A 19. Write a check in payment of voucher payable #6. Take the bill and check to the firm to whom payment should be made and request the representative of that firm to receipt the bill when you present the check. Return the received bill to the file for vouchers paid. Make entry in the cash book and post to the account affected.

CAUTION. Be careful to keep both paid and unpaid vouchers in numerical order with the last number at top, so that any one can be readily found if desired. Remember to cross off the paid bills from the ledger as shown in a previous model.

A 20. Examine your cash book. Pencil foot the purchase and sales books. Prepare and head a ticket 3 in. by 4 in., as in A 10, and write on it answers as follows:

Cash in drawer	\$
Cash in bank	\$
Total cash	\$
Total purchases to date	\$
Total sales to date	\$

A 21. Buy of Kuhn, Aldrich & Co., on account,

- 50 bx. Mint Lozenges.
- 50 bx. Wintergreen Lozenges.
- 20 cs. P. C. Syrup.

DIRECTION. Carry the total of sales book forward to top of next page, as shown in the form.

A 22. Sell Mussett & Dennis, 420 Eighth Ave., on usual terms:

20 bx. Mint Lozenges	@ \$.80
5 cs. Red Raspberries	@ \$2.90
1 cs. H. C. Gooseberries	@ \$2.60
8 doz. 1# Graham Crackers	@ \$1.30
4 cs. Big White Elephant	@ \$2.40
5 bx. D. Prunes	@ \$4.25

A 23. Sell Chase Bros., 562 Walnut St., on usual terms:

12 cs. #1 Raisins	@ \$2.25
12 cs. Evap. Apples	@ \$4.60
4 cans 12# Empire Bars	@ \$1.68
5 doz. 1# Delicoes	@ \$1.30
12 doz. 3# Sodas	@ \$3.00
7 cs. H. C. Gooseberries	@ \$2.60

A 24. Sell Mary E. Curley, 468 Walnut St., on usual terms:

5 bx. 12# Chocolate	@ \$4.20
6 cs. Condor Coffee	@ \$8.20
20 bx. Wintergreen Lozenges	@ \$.80
5 cs. P. C. Syrup	@ \$1.85
6 cs. Red Raspberries	@ \$2.90

A 25. Sell to Eagle Hotel Co., 588 La Fayette St., on usual terms:

25 cs. Royal Sweet Corn	@ \$2.05
10 cs. Lima Beans	@ \$1.90
2 doz. 1# Oatmeal Crackers	@ \$1.30
2 doz. 1# Graham Crackers	@ \$1.30
2 bx. #1 D. Peaches	@ \$5.40
2 bx. Prunes	@ \$4.25

DIRECTION. When the bottom of the sales book is reached, foot the sales and carry forward to the next page, as before.

A 26. You are out of Ideal Tomatoes, Red Raspberries, and H. C. Gooseberries. Buy 50 cases each of the firm who last sold them to you.

A 27. Sell M. C. Remington, 29 River St., usual terms:

10 cs. Ideal Tomatoes	@ \$2.60
5 cs. Red Raspberries	@ \$2.90
7 cs. Condor Coffee	@ \$8.20
5 bx. 12# Chocolate	@ \$4.20
1 cs. 1/4# Extra Pepper	@ \$3.70
6 doz. 1# Oatmeal Crackers	@ \$1.30

A 28. Sell W. B. Bennett, 37 River St., usual terms:

5 doz. 3# Sodas	@ \$3.00
5 doz. 1# Delicoes	@ \$1.30
5 cs. Big White Elephant	@ \$2.40
2 cs. #1 Raisins	@ \$2.70
3 pl. T. T. Mixed	@ \$2.40

A 29. Collect cash from Courtney & Son in full payment for the invoice charged against them.

DIRECTIONS. Fill a receipt form showing not only the amount of cash received, but also exactly what it was to pay. Sign the receipt with your usual signature. See form.

June 25, 1909
~~171⁰⁰~~
 Courtney & Son
 Peasant Inn
 June 22, 1909:
 \$17⁰⁰

WATERLOO, IOWA, June 25, 1909.
 RECEIVED FROM Courtney & Son
 One hundred seventy one and ~~00~~ ⁰⁰ Dollars
 Paid on June 22, 1909.
 John Manning

After you have collected the cash, count it so as to verify the amount, make entry in cash book, and post to the ledger.

A 30. Make pencil footings of purchase and sales books and prepare ticket as in A 10., answering the following questions:

1. Amount of cash in drawer.
2. Amount of cash in bank.
3. Total cash.
4. Total purchases.
5. Total sales.

Submit the ticket when filled as usual.

A 31. You are out of Condor Coffee. Buy on usual terms of the firm keeping this article, 24 cases, together with

- 24 bx. 12# Chocolate.
 30 pl. T. T. Mixed Candy.
 20 cs. 10# G. G. Syrup.

A 32. Receive cash of W. A. Damon in full of his account. (Give a properly written receipt, enter the currency in the cash book and post.)

A 33. Receive of Chase Bros., to apply on account, \$100. (In the explanatory part of the receipt write "To apply on account.")

A 34. Sell Courtney & Son, usual terms:

4 bx. D. Peaches	@	\$5.40
1 can 10# Mapline Wafers	@	\$1.80
2 cs. Big W. Elephant	@	\$2.40
6 cs. Red Raspberries	@	\$2.90
2 bx. 12# Chocolate	@	\$4.20

INFORMATION # 84. The **Merchandise Discount** account is kept to show the amounts allowed for the payment of bills before they are due. Wholesale houses bill their sales on 30 days, 60 days, 4 months, 6 months or other period of time, the period usually being governed by the kind of goods sold. Quick payment is desirable. To encourage the customer to pay promptly, an allowance of 1%, 2%, 6%, or other rate according to contract, may be deducted from the bill. The amount paid in settlement is called the net amount, and the amount deducted is called the Merchandise Discount. If you owe Esmond Canning Co. \$259.00 for goods billed 2/10 n/60 (2% discount if paid in 10 days or full amount if paid in 60 days), the discount if paid within the 10 days period would be \$5.18 and the cash payment would be \$253.82. The journal entry for the payment would be as shown in model.

The debit would be posted to the Esmond Canning Co.'s account in the ledger. The cash credit would be posted to the cash book without using the title column as in model, and the Mdse. Disc't would be posted to the ledger.

<i>Journal</i>					
1909					
June 27	7	Emmond Cannings	Cash 247	250	259
	c	Cash	Less 5%	5.18	253.82
	4	Trade Ads		250.82	518

<i>Cash Card</i>			<i>cr</i>
1909			
June 27	8	Net 247	253.82

A 35. Write a check in full for voucher payable #10, present the check and have the voucher receipted, enter in cash book and return the voucher to paid file, post and X mark.

A 36. Write a receipt in favor of Cole & Camp for the amount due, and collect the cash.

A 37. Sell Chase Bros., on usual terms:

8 bx. Prunes	@	\$4.25
4 bx. Evap. Apples	@	\$4.60
5 doz. 1# Graham Crackers	@	\$1.30
10 cs. Lima Beans	@	\$1.90

A 38. Sell W. A. Damon, on 10 days' account:

10 cs. H. C. Gooseberries	@	\$2.60
10 cs. Royal Sweet Corn	@	\$2.05
2 pl. T. T. Mixed Candy	@	\$2.40
4 bx. Wintergreen Lozenges	@	.80
4 bx. Mint Lozenges	@	.80

A 39. Pencil foot the first column, debit side of cash book. Does it show that you have received \$366.93 since the last balance? If so, deposit this amount. (Review Infor. #81 and **A 2.**)

A 40. Balance your cash book. (Review A 10 and the directions after July 31, in Ex. X.)

Prepare a ticket as before instructed, on which answer questions as follows:

1. Amount of cash in drawer.
2. Amount of cash in bank.
3. Total cash.
4. Total purchases.
5. Total sales.

INFORMATION # 85. Any entry affecting cash and several other accounts, that cannot be entered in one place (i. e., in its entirety) in the cash book, should be entered in the journal, and the cash portion posted to the cash book, using the post mark "J" in the cash book and "C" in the journal.

A 41. Pay voucher payable #7 by check.

DIRECTIONS. Take V. #7 from your file and under the total of the bill, in red ink, write Less 2% \$5.18, subtracting the discount, write below \$253.82, the net amount.

Write a check for the net amount, and take the bill and check to the Esmond Canning Co., who will retain the check and return the bill to you receipted.

Journalize and post as explained in Infor. #84. Write in explanatory space of ledger "Cash & Discount."

A 42. Pay Voucher #8 by check.

Notice on the bill that the discount allowed is 1% or \$2.37. When computing discount, if a half or larger fraction of a cent remains, count the remainder as an additional cent discount. Be careful to keep the paid vouchers in numerical order so that the last number shows at top.

A 43. Look over your vouchers payable to see if any other bills are subject to discount for cash. You will find one. Pay it as before.

Are you careful about post marks?

A 44. Buy of Ajax Biscuit Co., on usual terms:

- 10 cans 12# Emperor Bars.
- 10 cs. Big W. Elephant.
- 40 doz. 1# Oatmeal Crackers.
- 50 doz. 1# Graham Crackers.
- 30 doz. 1# Delicoes.
- 5 cans Mapline Wafers.

A 45. Pay Samuel Hunt in currency for wages, \$12. No voucher need be made for transaction.

A 46. Pay cash for sundry small expense items, \$1.29.

EXPLANATION. Cole & Camp have made arrangements to buy goods in quantity so that you can allow them a discount of 3%. Hereafter bill goods to them 3/10 n/60.

A 47. Sell Cole & Camp on account, 3/10 n/60:

10 cs. Royal Sweet Corn	@	\$2.05
40 cs. H. C. Gooseberries	@	\$2.60
24 bx. D. Peaches	@	\$5.40
26 cs. #1 Raisins	@	\$2.70
15 cs. Condor Coffee	@	\$8.20
8 cs. Extra Pepper	@	\$3.70

A 48. Receive of Chase Bros. cash enough to finish payment of their first bill, \$49.62.

A 49. Receive of Cole & Camp cash in payment of their last bill. A deduction of 3% is made.

A 50. Make a ticket showing:

1. Cash received since balance.
2. Cash paid since balance.
3. Cash balance.
4. Total purchases to date.
5. Total sales to date.

If amounts are correct, balance the cash book.

Post total of purchase book to debit of Merchandise and total of sales book to credit of Merchandise, ruling and postmarking as shown in Ex. X.

Take a trial balance on a loose sheet of paper, head as usual and pass in for inspection. If correct, copy it on page 8 following the cash book.

INFORMATION # 86. **Cash sales** may be posted to the individual account to the debit of a customer, if it is desired to keep a ledger record

of his purchases. There are, however, many cash sales which require no personal ledger account. The latter sales should be entered in the sales book, as in model here given.

Sales Book

1909	June 29 c Henry-Kuba	cash				
		49 La Salle St				
		1 cs. G. G. Syrup	2.50			
		6 bx. Wintergreen Loz.	.80	4.80		7.30

Cash Received

1909	June 29 d	Dr.				
		Sale to Henry-Kuba	7.30			

The amount of cash is immediately carried to the cash debit in the cash book, the letters "C" and "S" being used in the folio columns, as above.

The effect of these two entries is to debit Cash in cash book and to credit Mdse. in the total to be posted from the sales book at a later time.

INFORMATION # 87. Cash purchases which require no personal account are entered in the purchase book as in model.

From the purchase book they are transferred to the cash book.

Purchase Book

1909	June 29 e The Treadles Commission Co. and	cred				
		Mdse. 20/14				652.88

Cash Paid

1909	June 29 f	Cr.				
		Rubenstein Com Co. 20/14				652.88

The effect of these two entries is to debit Mdse. in the total from the purchase book and to credit Cash in the cash book.

A 51. Sell Henry Kuba, 49 La Salle St. (with whom keep no account), for cash, 1 cs. G. G. Syrup @ \$2.50, 6 bx. Wintergreen Lozenges @ \$.80.

Start new sales record at top of page 7. See model Infor. #86. Make out bill receipted and hand to Kuba.

A 52. Sell D. G. Joslyn (no account), for cash, 5 bx. 12# Chocolate @ \$4.20.

A 53. Buy of the Treadles Commission Co., 60 brl. Vinegar as per their bill, and pay for same by check. (Enter on page 2 of purchase book. No ledger account.)

A 54. Buy of Rubenstein & Slossen, for cash (no account), 20 R. N. Y. Cheeses. Take their receipted bill.

A 55. Sell Cole & Camp, on account, 3/10 n/60:

10 brl. Vinegar, 542 gal.	@	\$.34
10 R. N. Y. Cheeses, 621#	@	\$ 13½
20 bx. Evap. Apples	@	\$ 4.60

A 56. Buy of Sunset Fruit Co., on account:

40 bx. #1 D. Peaches.
40 cs. #1 Raisins.
60 bx. Evap. Apples.

A 57. Pay voucher #9. (Do not overlook any of the details.)

A 58. Collect of Mussett & Dennis cash in full of account. (Give receipt.)

A 59. Deposit in bank \$620.

A 60. Pencil foot cash, purchase, and sales, since last ruling.

Prepare and submit a ticket showing:

1. Cash received since ruling.
2. Cash paid since ruling.
3. Purchases since ruling.
4. Sales since ruling.

Add cash in bank to cash in drawer and compare with balance shown by cash book. If correct, balance the cash book.

INFORMATION # 88. Sales for notes may be posted to the individual account in the ledger, the sale to the debit and the note given in exchange to the credit of the customer, if it is desired to keep a ledger record of his purchases. There are many sales of this kind which require no personal ledger account. The latter sales should be entered in the sales book as in model on page 33.

The amount of the note is posted to the debit of Notes Receivable, to balance the credit which is included in the Mdse. total.

INFORMATION # 89. Purchases for a note, when the individual account is not desired, may be entered in the purchase book as in model and posted to the credit of Notes Payable. The corresponding debit is included in the Mdse. total. See model on page 32.

A 61. Sell William Floyd, 420 Fifth Ave., on his demand note drawing interest from date at 6 per cent:

2 R. N. Y. Cheeses, 101#	@	\$ 13½
5 cs. Lima Beans	@	\$ 1.90
5 bx. #1 D. Peaches	@	\$ 5.40
5 cs. Prunes	@	\$ 4.25
5 cs. Evap. Apples	@	\$ 4.60

DIRECTIONS. Bill the goods as shown in Infor. #88, receipting the bill in the following form:

Settled by note,
John Manning.

Fill out a note as shown in the following form except the signature, which William Floyd will attach to the note in his own handwriting.

Secure the signature of William Floyd on the note, and deliver to him the receipted bill. Place the note in the file for notes receivable. Remember to place the payer of the note in the explanatory space of the ledger.

~~\$94³⁹~~ Waterlos, Iowa June 3, 1909
 On demand after date for value received, I promise to pay
 to the order of John Manning
 at 168 Market St.
 Ninety-four ~~39/100~~ ^{39/100} with interest at 6 per annum
 No Due 
IN COLLECT CURRENCY.

A 62. Sell Edward Read, on his 30-day note, at 6 per cent:

20 brl. Vinegar, 1088 gal. @ \$.34

A 63. Sell John Hart, for cash (no account):

50 bx. Mint Lozenges @ \$.70

A 64. Sell Cole & Camp, on account, 3/10 n/60:

15 cs. Lima Beans @ \$1.90

15 cs. Ideal Tomatoes @ \$2.60

6 R. N. Y. Cheeses, 372# @ \$.13½

6 cs. Evap. Apples @ \$4.60

5 brl. Vinegar, 253 gal. @ \$.34

A 65. Buy of the Esmond Canning Co., on usual terms:

100 cs. Ideal Tomatoes.

200 cs. Royal Sweet Corn.

100 cs. Lima Beans.

10 cs. H. C. Gooseberries.

A 66. Buy of Spanish-American Imp. Co., giving in payment a 30-day note drawing 6 per cent interest:

20 hhd. Olives.

Write the note carefully as soon as you learn the amount of the bill. Make entry in the purchase book and post to the credit of Notes Payable. Remember to give the payee's name in the explanatory space.

A 67. Sell to R. W. Emerson, receiving in payment his 10-day note:

2 brl. Vinegar, 102 gal. @ \$.34

1 hhd. Olives, 125 gal. @ \$.72

A 68. Pay voucher #17 by check. (Make journal entry.)

A 69. Settle voucher #16 with your 30-day note with interest at 6 per cent. See that the voucher is properly receipted. (Enter in journal.)

A 70. Prepare a ticket answering the following:

1. Amount of cash balance.

2. Purchases since last posting.

3. Sales since last posting.

4. Total of the debit column of journal.

5. Total of credit column of journal.

EXPLANATION. The student will observe that all entries made in the four books of original entry which he uses could have been made in a journal. But the labor of posting item by item from a journal forbids its use in this way. The labor of entry would also be greater. The number of books in which the original entries are made might be increased if there were a suffi-

cient number of special kind of entries not provided for to justify the use of some other special book. In a general buying and selling business, the books here used may be considered the best arrangement. Whether one or more special books are used, the following rule is observed:

INFORMATION # 90. The journal takes all entries not provided for in any other book.

A 71. Collect cash of M. C. Remington, Mary E. Curley and De Long & Co., in full of their purchases.

Instead of writing receipts, they hand you the bills, which you passed to them when you sold the goods. If they cannot produce any of the bills, write receipts as before. Post to their accounts and X mark ledger to show full payment.

EXPLANATION. Hereafter in Set A, the student will bill all goods 2% higher than heretofore, and will allow all ledger customers terms 2% 10 days or net 30 days, with the exception of Cole & Camp, who will be allowed 5% 10 days, net 60 days.

A 72. Sell Eagle Hotel, on account, 2/10, n/30:

3 doz. 1# Oatmeal Crackers	@	\$1.33
1 cs. B. W. Elephant	@	\$2.44
1 bx. #1 D. Peaches	@	\$5.50
1 hhd. Olives, 63 gal.	@	\$.74

A 73. Sell Mary E. Curley, on account, 2/10, n/30:

6 bx. 12# Chocolate	@	\$4.28
5 cs. Condor Coffee	@	\$8.36
6 cs. R. C. Syrup	@	\$2.10
20 cs. Royal Sweet Corn	@	\$2.45
2 R. N. Y. Cheeses, 124#	@	\$.15

A 74. Sell M. C. Remington, on account, 2/10, n/30:

2 brl. Vinegar, 103 gal.	@	\$.35
20 cs. H. C. Gooseberries	@	\$2.65
10 cs. Lima Beans	@	\$1.95

A 75. Sell Frank Lightfoot for cash (no ledger account):

5 hhd. Olives, 310 gal.	@	\$.71
-------------------------	---	--------

A 76. Sell Oscar Anderson, on his demand note drawing 6% from date.
(Fill out the note for his signature.)

150 cs. Royal Sweet Corn	@	\$2.05
50 cs. Lima Beans	@	\$1.90

A 77. Sell Mussett & Dennis, account 2/10, n/30:

12 doz. 1# Delicoes	@	\$1.32
6 cans Emperor Bars	@	\$1.76
6 cans Mapline Wafers	@	\$1.85
4 pl. T. T. Mixed Candy	@	\$2.45

A 78. Sell to the Alaska Outfitting & Supply Co. for cash (no account):

100 cs. Ideal Tomatoes	@	\$2.45
4 hhd. Olives, 252 gal.	@	\$.70

A 79. Deposit in the bank all cash received since the cash book was balanced.

A 80. Balance the cash book. (Do not forget to prove balance by comparing it with the sum of cash in bank and cash in drawer.)

Prepare the following report ticket:

1. Cash balance.
2. Total purchases since posting.
3. Total sales since posting.

A 81. Buy of the Esmond Canning Co. on account:

50 cs. Lima Beans.
 100 cs. Royal Sweet Corn.
 50 cs. Red Raspberries.
 100 cs. Ideal Tomatoes.

A 82. Buy of Kuhn, Aldrich & Co. on account:

20 cs. Condor Coffee.
 20 cs. $\frac{1}{4}$ # Extra Pepper.
 40 cs. P. C. Syrup.

A 83. Pay Samuel Hunt, wages to date, in currency, \$12.

A 84. Pay Burrows Transfer Co. by check, drayage account for delivery of outgoing merchandise, \$21.43. (Charge Expense.) Take their receipted bill.

A 85. Collect cash from the Eagle Hotel Co. for the first bill sold them. Receipt the bill.

A 86. Settle with W. B. Bennett, by taking his note at 30 days with 6% for the amount due. Receipt his bill. (Enter in journal.)

A 87. Give your 30-day note at 6% to Kuhn, Aldrich & Co. in settlement of voucher #12.

INFORMATION # 91. When a note is paid, the holder of the note writes "Paid" with his signature across the face and surrenders it to the payer. This is a sufficient receipt, as the evidence of the indebtedness passes into the payer's hands.

A 88. Collect cash of Oscar Anderson for his demand note, \$402.50, and interest to date \$.27.

The time will be considered 4 days in order to secure uniform results. Enter in the cash book, crediting two accounts, Notes Rec. and Interest. When posting to ledger, X mark the note paid.

A 89. Give your check for the note due the Spanish A. Importing Co., \$696.08, and interest computed at 6 days \$.70. (Receive the cancelled note and paste it to the stub of the note in the note book. Make two entries in cash book, titles: Notes Payable and Interest.)

A 90. Make a report ticket showing:

1. Cash receipts since last balance.
2. Cash payments since last balance.
3. Footing of purchase book.
4. Footing of sales book.

INFORMATION # 92. A statement to a customer is a form in which are listed all his debits and credits as they appear in the customer's ledger account. It is advisable to send statements to customers on the last day of each month. The statement shows his dealings for that period and the balance due. The customer, on receiving the statement, should check it with his books and should report to the one issuing the statement any discrepancies, if such occur. Customers, when they settle the account by paying the balance shown on the statement, frequently have the statement receipted as a bill would be receipted, and use the statement as a voucher. The model statement of Cole & Camp's account illustrates the form to be used.

INFORMATION # 93. The term accounts receivable includes all accounts with persons who buy of us and who have debit balances. Accounts of this nature should be given a separate place in the ledger, or, if they are many, a separate ledger should be kept for them.

Folio 10**Statement of Account.**

WATERLOO, IOWA

June 30, 1909

Mess. Cole & Camp.
58 Market St.

IN ACCOUNT WITH

John Manning

1909				
Jan 12	Medal	Cash	x	6938
17	"	3/10 m/60	x	147690
20	"	3/10 m/60	(36012
28	"	3/10 m/60)	28134
				113774
		Cr.		
Jan 15	Cash		x	6938
20	"	x	Bisc.	147690
				54628
				59146

A 91. Receive statements from Kuhn, Aldrich & Co., Esmond Canning Co., and Ajax Biscuit Co. Compare these statements with the accounts in your ledger and if they agree, place them in your file of miscellaneous papers.

A 92. Make out statements for all of your customers showing unsettled accounts, eight in number, and present the statements.

A 93. Receive cash of W. A. Damon in full of his account. Receipt the statement which you handed him.

A 94. Balance your cash book and take a trial balance of your accounts. Record the trial balance on page 9 of the trial balance book. Remember that totals of purchase and sales books must be posted before taking trial balance.

Review in Ex. VII. Infor. #36, 37, 38, 39, and 40.

INFORMATION # 94. An **inventory** is a list of property or value at hand pertaining to any given account. Merchandise or other chattels are

Inventory of Merchandise June 30, 1909.

20	bx 12# Chocolate) pulses	3.65	7.2
24	cs) Condor Coffee - per cs	7.50	18.0
20	cs) 1/2# Extra Pepper .	.3	
26	bx Mint Lagnaged .	1.0	6.0
70	bx Wintergreen Lagnaged. bx	.60	
29	pk) J. S. Mixed Candy .	pk 1.00	
49	cs) 10# BB Syrup .	cs 1.85	
23	cs) 10# BB Syrup .	cs 2.05	
115	cs) Ideal Tomatoes .	cs 2.20	
19	cs) Red Raspberries .	cs 2.50	
130	cs) Naval Sweet Corn .	cs 1.75	
90	cs) Lima Beans .	cs 1.60	
80	cs) H. C. Gooseberries .	cs 2.10	
39	pk) 1# Oatmeal) Crackers dry 1.		
50	dry 1# Graham .	per dry 1.	
16	cs) B. H. Elephant .	cs 2.	
25	dry 3# St. Ondas .	dry 2.50	
18	dry 1# Delicacies .	dry 1.	
4	can 1# Emperor Bars .	can 1.40	
3	can 1# Maple Wafers .	can 1.55	
34	bx 1# S. Peaches .	bx 4.75	
20	bx Crunes .	bx 3.75	
40	cs #1 Pascina .	cs 2.25	
29	bx Enrap apples .	bx 4.	
21	bil) Cedar Vinegar 1951 gal . gal	.75	24.408
8	hd) Glucose 556 gal . gal	.50	
	Total:		

Inventory of Expenses June 30, 1909

Books and Stationery - unused	10.50
1/2 S. Hard Coal	10.
Total:	25.50

Inventory of Furniture June 30, 1909

1 Office Desk	cost 21-	25
1 Bookkeeper desk .	16.50	16.5
3 Show Cases	cost 13-26.40-	6.0
1 Cashier Counter etc	cost 340.00	120
1 Cash Register	cost 90-	7.5
	Total	111

inventoried from an actual count of the items on hand listed on journal ruling. After the list is taken, a price is placed on each kind. This price is the present market value, or what it would take to replace the goods—not the selling price. The extensions are then made, and the total is called the inventory value or cash value of the account.

(For liability inventory, see Infor. #140.)

Balances, June 30, 1909

<u>Cash</u>		
Amount in Banks	17295.5	
" " Drawers	56654	
Total	229609	
<u>List of Notes Receivable</u>		
William Lloyd Due 2 x 6%	943.9	
Edward Read : x		
R. H. Emerson : x		
H. Q. Bennett .. x 6%	461.0	
Total		
<u>List of Accounts Receivable</u>		
10 Coler & Camp	4914.6	
11 Courtney & Son		
Mussey & Dennis		
Chase Bros		
12 Mary Ebsley		
Eagle Hotel Co		
M. C. Remington		
Total		
<u>List of Notes Payable</u>		
Clarendon Trust Co Due 2 x .5%	52.0	
Kuhn Aldrich & Co. .. x 6%	361.40	
Total	881.40	
<u>List of Accounts Payable</u>		
Aqua Biscuit Co. .. 20/10	1621.5	
Edmond Canning Co. .. 19	61.0	
Kuhn Aldrich & Co .. 20	27.8	
Total	1750.35	

A 95. Find the cash value of the Merchandise, Furniture & Fixtures, and Expense accounts.

The items of the inventories and the prices are shown in the model form. Copy these inventories on page 11 of the purchase and sales book, extend the prices where needed and find the totals.

Caution: It is advisable to make these difficult lists on loose paper until they are found to be absolutely correct. They can then be copied in the permanent books.

INFORMATION # 95. When the books are to be closed, in addition to the inventories of property, there should be taken lists of the notes receivable, accounts receivable, notes payable and accounts payable. These, together with the cash balance, should be placed in the inventory book, so that complete detailed lists of all resources and liabilities may be found, if looked for, in one place under one date.

A 96. Place the cash balance in page 12 of inventories as in model.

Make a list of the notes which you received and now have on hand on the same page, total the list and compare the total with the Notes Receivable balance in the trial balance.

Make a list of the Accounts Receivable balances from the ledger. Total the list and compare the total with the total of accounts due you in the trial balance. Make a list of the notes payable from the stubs of the notes payable book. Omit the one that is paid. Compare this list with the balance of Notes Payable in the trial balance.

Make a list of the Accounts Payable, taking the amounts from the vouchers payable file. Compare this list with the total of balances due others found in the trial balance.

INFORMATION # 96. A Statement of the Business is a formal list of all resources and their total, of all liabilities and their total, and the difference between totals of resources and liabilities showing the net worth. Statements are made periodically to show the progress or condition of the business to those who are financially interested.

A complete statement requires also a detailed exhibit of the gains and losses. The model form is a correct statement of the present business.

A 97. Make a statement of your business:

On journal paper, after writing the heading, copy the resources and liabilities from your inventory book and find the difference, which is your net worth.

You will observe that five of the commercial accounts show a balance on the ledger either greater or less than the cash value of the inventory. These are

Merchandise, ledger Dr. balance.....	\$2,320.68	Inventory.....	\$2,812.45
Furniture & Fixtures, ledger Dr. balance	452.00	"	295.00
Expense	" " "	162.32	" 25.50
Interest & Discount	" " "	.43	" none
Mdse. Disct.	" Cr. "	20.14	" none

Remember that a resource inventory is properly an additional credit to an account; therefore, those accounts having resource inventories plus credit total greater than the debit totals show gains.

Those accounts having a debit total greater than the resource inventories plus the credit totals (if any) show losses.

Thus, the following accounts show gains: Merchandise and Merchandise Discount.

The following show loss: Furniture & Fixtures, Expense, and Interest & Discount. Place the gains first on the statement, as follows:

Mdse. sales from ledger \$4,230.67, plus Inventory \$2,812.45, less Mdse. purchases \$6,551.35.

Mdse. Disct. received \$34.45, less allowed \$14.31.

Afterward place the losses as follows:

Furn. & Fixt. purchases \$452, less inventory \$295.

Expense, purchases \$162.32, less inventory \$25.50.

Int. & Disct. allowed 70 cts., less received 27 cts.

From the total gains subtract the total losses. The result is the net gain.

To the net gain add the proprietor's worth at starting. The result is the present net worth, equal to the net worth shown by the difference between resources and liabilities given above.

Rule and finish the statement as in model.

Statement of John Manning, June 30, 1909.

Resources		.
Cash	Amount on hand	2296.09
Merchandise Inventory		2812.45
Furniture & C. "		29.5
Expense "		25.50
Notes Receivable " Ledger		635.09
Accounts Receivable "		1085.08
Total Resources		7149.21
Liabilities		
Notes Payable Inventory & Ledger		881.40
Accounts Payable "		1050.15
Total Liabilities		1931.55
Present Net Worth		5217.66
Gains		
Merchandise Sales	4230.67	
Inventory	2812.45	
	7043.12	
Purchased	6551.85	491.77
Total Gains		5119.1
Losses		
Furniture & Purchases	445.2	
Inventory	29.5	157
Expense	Purchased 162.83	
	Inventory 25.50	136.82
Interest & Rent allowed	70	
Received	27	42
Total Losses		294.25
<i>Net Gain</i>		<i>217.66</i>
<i>Net Worth at starting</i>		<i>5000.0</i>
" " " present		5217.66

TO THE STUDENT. A thorough understanding of a business statement is one of the necessary accomplishments of a business man. Master each step until you can tell not only how but why it is taken. Copy the statement on page 11 of the journal, cash, and statements book.

A 98. Close the ledger and take a trial balance after closing. Record the trial balance on page 10 of trial balances.

A 99. Deposit all cash. Leave your bank pass book at the bank to be balanced and the checks returned. Request the teller not to have the account written up until a check for \$2,296.09, which you will issue later, is presented and paid.

INFORMATION # 97. The bank usually balances a depositor's account and returns the vouchers or checks on the last day of the month. On receiving his book returned by the bank, or his statement, the depositor should compare it with his own bank balance and record of deposits and checks to see if any error has been made. If all is correct, the checks issued and paid should be pasted to their original stubs as with notes explained in **A 89**.

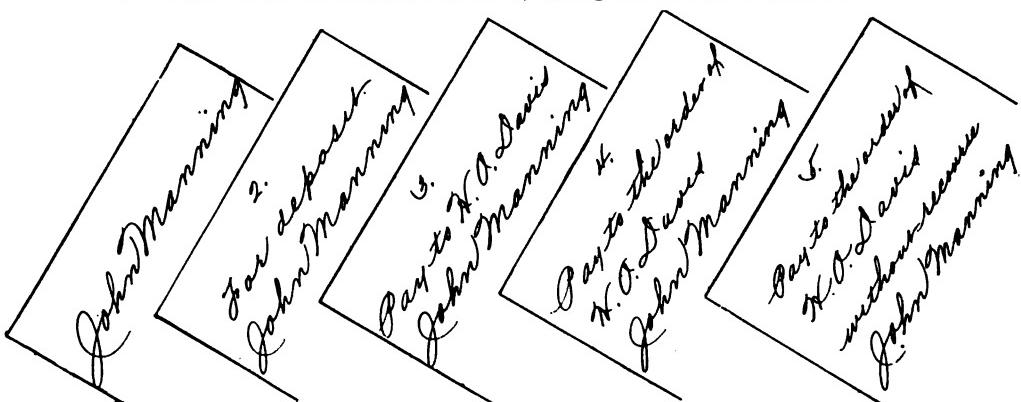
A 100. You will now sell your entire business as it stands to your teacher on the terms mentioned in the following journal entry to be copied in the journal:

The business of (student's name) has this day been sold and transferred to (teacher's name) for a consideration of \$6,000 cash in hand paid. (Teacher's name) will collect all outstanding accounts and pay all outstanding liabilities of the business.

In accordance with the above, make out a bill of sale in favor of the teacher. (See legal forms.)

Write a check in his favor for the bank balance.

Indorse all notes receivable to him, using form No. 4 below.



INFORMATION # 98. Transfer indorsements are written in several forms. The most common of these are illustrated in the above five specimens, numbered 1 to 5. No. 1 is an indorsement **in blank**. When the payee indorses it thus, the paper becomes payable to bearer. No. 2 is an indorsement **for deposit**. It is used when paper is to be deposited at the bank. Paper thus indorsed is not payable to bearer.

No. 3 is a **restrictive** indorsement, as its effect is to make the paper payable to one certain person.

No. 4 is an indorsement **in full**. It has the effect of making the paper payable to the indorsee or to any person to whom he may indorse it.

No. 5 is an indorsement **without recourse**. The intention of the indorser is to pass the title in the paper while he at the same time releases himself from liability for its payment.

Pin the check, notes, and bill of sale together. Make a neat package of your vouchers paid and payable, using a rubber band around all the papers.

Remove the contents of the books of record. Pin each at the back. At the front top of each write a heading similar to those used in submitting previous exercises and pass the entire work to the teacher for inspection.

QUESTIONS. 1. What is a jobbing business?

2. For what purpose is a ledger index used? Describe it.
3. What is a voucher?
4. What is a receipt? How used?
5. What is the principal business of a bank?
6. How is a deposit ticket used?
7. How is a bank pass book used?
8. What is a bank check? How used?
9. What is a check book?
10. What is a bill?
11. Describe the duplicate order blanks.
12. Describe the purchase book.
13. Describe the sales book.
14. What is meant by terms of a sale?
15. What is the process of having a bill receipted when paid?
16. Explain the Merchandise Discount account.
17. Where should a combined entry affecting cash and other accounts be made? Why in the journal?
18. What is a cash discount?
19. What two methods of entering cash sales in the sales book may be used?
20. What two methods of entering sales for notes in the sales book may be used?
21. How is a bill receipted to show settlement by note?
22. What entries are to be placed in the journal when other books of original entry are used?
23. What voucher is received by the payer of a note?
24. Describe a statement to a customer.
25. What is meant by the term accounts receivable?
26. Is it customary to receipt a customer's statement when payment in full is made?
27. How are inventories taken?
28. Why are lists of notes and accounts payable and notes and accounts receivable taken when closing a ledger?
29. What is a statement of the business?
30. How should a depositor compare a bank statement of account when the latter is returned?
31. What is a bill of sale and when used?
32. Why is a notice to interested firms sent when a change occurs in the ownership of a business?
33. Name the books used in the jobbing set.

EXERCISE XI

INFORMATION # 100. A statement of any business showing resources and liabilities, losses and gains and net worth can be made from a trial balance and inventories. It is more satisfactory to have, in addition to these, the footings of the ledger accounts, because the footings show the amount of business, while the trial balance and inventories show merely the results.

101. In making a statement of the business, if it appears by inspection that the sum of the gains will be found to exceed the sum of the losses, place the gains above and the losses below, as in A 97. If it appears that the sum of the losses will exceed the sum of the gains, place the losses above and the gains below.

102. A statement of the business is to show the amount and kind of resources and liabilities, and the net worth, the amount and kind of losses and gains, and the volume of business transacted in a given period.

EXPLANATION. In this exercise, the student will be given the ledger footings and the inventory totals of two business concerns. From each of these he will be required to make a statement, one of which will show a net loss and the other a net gain.

DIRECTIONS. Take a half sheet of journal. At the top of one side write "Statement of John Doe." At the top of the reverse side, "Statement of John Moe." One sheet only is to be handed in at the close of this exercise. All other preliminary work necessary to making the statement can be written on loose paper and destroyed after it has served its purpose. Below are given the footings of John Doe's ledger:

John Doe, Proprietor.....	Dr.	Cr. \$ 4,000.00
Cash	" \$ 1,325.82	"
Mdse.	" 15,421.90	" 18,624.70
Furniture & Fixtures.....	" 429.89	"
Expense	" 4,281.73	"
Notes Payable	" 4,281.70	" 5,923.40
Notes Receivable	" 7,481.30	" 4,783.26
Dollman & Co.....	" 231.80	" 1,527.30
Martin & Camp.....	" 14.80	" 329.60
Parker & Son.....	" 597.42	" 1,287.16
James & Co.....	" 1,789.63	" 247.80
Smith & Son.....	" 587.93	"
C. W. Brown.....	" 427.90	" 148.60

The cash values of the commercial accounts per inventory are as follows: Merchandise, \$7,521.80; Furniture & Fixtures, \$400.00; Expense, no value. All other accounts are valued at face.

First, satisfy yourself that the ledger is in balance. Next, make a total of the balances of accounts payable, three in number, and of accounts receivable, three in number. List all resources and total. List all liabilities, except proprietor, and total. Find present worth. Find gains and losses as in model A 97. Find net gain and net worth. The latter should prove with net worth as shown above.

The ledger footings for the second statement are as follows:

John Moe, Proprietor.....	Dr.	Cr. \$ 4,000.00
Cash	" \$ 384.38	"
Merchandise	" 18,427.60	" 12,427.68
Furniture & Fixtures.....	" 1,728.90	" 12.60
Expense	" 2,174.20	"
Merchandise Discount	" 17.38	" 169.20
Notes Payable	" 500.00	" 6,921.40
Martin & Camp.....	" 120.00	" 1,387.60
Parker & Son.....	" 1,260.93	" 2,067.93
Perkins, Winn & Co.....	" 4,291.60	" 2,729.50
Garmore & Co.....	" 357.90	"
Peter Moore	" 873.99	" 420.97

The cash values of the commercial accounts per inventory are: Merchandise, \$6,590.15; Furniture & Fixtures, \$1,500; Expense, \$74. All other accounts are valued at face. Reread Infor. #101. Complete a statement.

DIRECTION. When both statements are complete, head the work, and pass it in for inspection.

QUESTIONS. 1. What records are necessary to refer to in making a statement of any business?

2. If the total gains exceed the total losses, in what order should the commercial accounts be placed in a statement?

3. If the losses exceed the gains, what order is used?

4. What does a statement of the business show?

5. May a statement of the business be made without closing the ledger?

EXERCISE XII

INFORMATION # 103. Every business transaction should present to the mind a clear cut picture of certain debits and credits. No matter what books may be used, the bookkeeper who has formed the habit of placing any doubtful entry in journal form on a slip of paper before trying to place it in cash book or other books, will be able to make a correct entry in a satisfactory way. Many who have failed to acquire this habit have found the entries in advanced bookkeeping difficult, and have often spent much unnecessary time in confused efforts to grasp the situation. When in doubt, form the habit of arranging entries in journal form.

EXPLANATION. The journal entries which follow are not a connected record of any business. They give transactions which are similar to those introduced in the preceding set. They are dated in January and numbered 1 to 31, the numbers to be entered like days of the month. Nos. 1 to 25 require one debit and one credit only. Nos. 26 to 31 have two debits or credits. The memoranda of the transaction are given in the form to be used in the explanatory part of the journal and should be copied by the student word for word, with the exception that abbreviations may be used. After copying the memoranda, he can complete the entry.

DIRECTIONS. Take a folded sheet of journal paper and page it 1, 2, 3, and 4. Enter the work as explained above.

- TRANSACTIONS.** Jan. 1. H. Bradford began business, investing cash \$5,000.
2. Bought of Geo. Adams on account, Mdse. per bill amounting to \$487.20.
 3. Bought of Henry Johnson for cash, Mdse. per bill, \$520.60.
 4. Bought of Ralph Henry, giving in payment a demand note, Mdse. per bill, \$600.
 5. Sold to Peter Minkler on account, Mdse. per bill, \$129.60.
 6. Sold to Talbott & Co., for cash, Mdse. per bill, \$537.80.
 7. Sold to Peterson & Adams, receiving in payment their demand note, Mdse. per bill, \$400.50.
 8. Paid George Adams, cash to apply on account, \$300.
 9. Received of Peter Minkler, cash in payment of his bill of 5th, \$129.60.
 10. Paid Ralph Henry, cash in full of his note, \$600.
 11. Received of Peterson & Adams, cash in full of their note, \$400.50.
 12. Paid George Adams, cash for balance to his credit, \$187.20.
 13. Bought of Acme Fuel & Ice Co., a book of ice tickets for use in store, paying cash, \$10.
 14. Bought of Edwards & Co. a bill of furniture for use in office, paying cash, \$27.80.
 15. Bought of Richards & Lane, on account, coal for fuel, as per their bill, \$30.75.
 16. Bought of John Woodley, as a speculation, paying cash, Lot #3 in Block #29 of Central City for \$350. (Debit L. 3, B. 29, Central City.)
 17. Bought of Wm. Roberts, for cash, one wagon for use in delivery of Mdse., paying \$110.
 18. Sold to Henry Grayson, on account, Mdse. per bill, \$700.
 19. Sold to Walter Everson, on account, Mdse. per bill, \$345.25.
 20. Henry Grayson settles his account by giving his 30-day note for the amount, \$700.
 21. Bought of J. M. Cushman, on account, Mdse. per bill, \$429.80.
 22. Sold to K. Garmore, Mdse. per bill \$120, receiving in payment a horse for use of the business.
 23. Settled J. M. Cushman's credit of \$429.80 by deeding to him Lot #3 in Block #29 of Central City at same valuation. (Credit the account debited in Jan. 16.)
 24. H. C. Bradford, proprietor, withdrew cash \$2,000 from his investment account.
 25. Paid bill of Wright & Ames for an addition to the building owned by the firm, \$942.70. (Debit Real Estate.)
 26. Bought of Henry Coleman, for \$6,000, property to be known on the books as "Maplewood Farm," giving in payment cash \$1,000, and a note drawing 6% interest for \$5,000.
 27. Sold George Dunning, for \$7,000, the Maplewood farm, receiving in payment cash \$4,000, and a note drawing 6% for \$3,000.
 28. Paid note favor Henry Coleman, giving cash for face of note \$5,000, and for interest to date, \$1.67.
 29. Received cash of George Dunning in payment of his note. Face of note, \$3,000. Interest to date, \$1.
 30. Paid Courtney & Bliss, their bill of \$591.40, subject to 2% discount, giving cash \$579.57. Discount, \$11.83.

31. Received of J. M. Paulson, in payment of his bill of \$980, cash \$970.20, allowing discount 1% \$9.80.

DIRECTIONS. After the work is completed, write the heading as in previous exercises, and pass the work in for inspection.

QUESTIONS. 1. What suggestion is made with reference to fixing in mind doubtful entries?

2. Can the entries of any book of original entry be placed in journal form if desired?

3. Is L. 3, Blk. 29, Central City, a commercial or a financial account title?

4. Is Real Estate a commercial account title?

5. When does Interest & Discount account show a gain? When a loss?

EXERCISE XIII

INFORMATION # 104. An **order** is a written form by which one party directs another party to deliver to a party named in the order, property or cash. It is assumed that the party ordering has with the party ordered credit to cover the amount called for.

105. A **draft** is an order written by one party (the drawer) requiring a second party (the drawee) to pay to a third party (the payee) a certain sum of money at a certain time. The assumption is that the drawee owes the drawer the amount of the draft, and that the drawer may have the drawee pay this sum to the party whom the drawer names.

For example, Jones in Boston owes Smith in Chicago \$1,000. Smith in Chicago owes Brown in Boston \$500. Smith sends Brown a draft for \$500 on Jones. Brown, on receiving the draft, presents it to Jones who pays Brown the cash \$500 called for and keeps the draft as a receipt. By this means Smith has paid Brown, without actually sending the money, by taking the amount from what Jones owes Smith.

106. The draft principle is used in several ways in business transactions. We have, first, the **bank draft**, which is drawn by one bank upon another for the purpose of sending money away from the drawer's town. The drawer bank has cash on deposit with the drawee bank against which the former draws drafts which are sold to persons who wish to send money to some out-of-town person. These drafts are safely placed in any ordinary letter without registration, as they are made payable to the order of a certain person named in the draft and could not be collected by an unauthorized person.

Second, the **merchant's draft**, which is drawn by one merchant upon another in payment of a credit arising from sale of goods, as of a shipper who ships merchandise to a commission house and draws against the house consigned to, in order to secure ready cash by selling the draft.

Third, the **collection draft**, which wholesale houses and others draw on delinquent customers to secure payment of bills which the customers have neglected. Such drafts, although in the same form as merchant's drafts, are regarded as of no value until they are paid, as their payment is not guaranteed by the drawer.

107. The payee of a draft need not present it in person. Drafts usually contain the direction "Pay to the order of," which means that the payee can order it paid to any person desired by indorsing on the back the directions as to whom payment shall be made. A draft may pass through many persons' hands by being indorsed from one person to another person. The persons passing it in this way are called **indorsers**.

A bank check is of the same nature as a draft with this exception, that a check assumes ordinarily that the drawer, drawee and payee reside at the same place, while a draft is ordinarily mailed from one place to another.

108. The note and check, with which the student is already familiar, also the draft, are called **negotiable paper**, a kind of paper that may be transferred from one person to another by indorsement.

109. **Transfer indorsements** may be either in blank or in full. By indorsement in blank is meant the written name of the payee across the back of the paper, which has the effect of making it payable to the bearer, whoever he may be. By indorsement in full is meant a direction in writing to pay to some particular person or his order.

110. Drafts are drawn payable at sight (that is, when presented to the drawee), a certain number of days or months after sight, or a certain number of days or months after the date of the draft. When payable at sight they are called **sight drafts**; when payable after sight they are called **time drafts**.

111. If the drawee promised to pay a time draft at maturity, he accepts the draft by writing "Accepted" with the date and his signature across the face of the draft. A draft when accepted becomes to the acceptor a note payable and to the holder a note receivable.

112. Banks are the regular agents for the collection of all varieties of drafts. If a holder of a draft in one place desires it presented to the drawee in another place he will leave the draft with his banker, who will forward it to a bank located in the drawee's city. The latter bank will collect the cash called for and make returns. Thus drafts on any town can be presented and collected through the banks. If the drafts are **cash items** (on the face of them collectible at once) the bank first receiving the draft ordinarily cashes it at once and makes collection afterward. Sometimes a charge is made for doing this. If it is a **collection item**, the bank will forward as explained above and pay the person for whom collected after the collection is made.

113. The business man who desires to send money out of town can purchase of his banker a bank draft which is payable in the place desired. The bank charges a small fee called **exchange** for this service in addition to the face of the draft.

114. The business man who draws time drafts on customers frequently sells these drafts before they mature to a bank in order to obtain the ready cash. The bank deducts a certain per cent from the face of the draft called **discount**, and pays the seller the difference.

EXPLANATION. In this exercise, journal entries with reference to drafts will be made. The forms of drafts, acceptances, etc., are given in Set B as they are used, where they may be found. The entries are not a continuous record of any business, but for the sake of a correct form are to be dated beginning with Feb. 1st. Use a half sheet of journal paper.

TRANSACTIONS. Feb. 1. Gave C. S. Huntington, on account, an order for goods amounting to \$40 on W. B. Lamb.

Debit C. P. Huntington, the receiving account; credit W. B. Lamb, the giving account.

2. Drew on Thurston & Co. for \$500 at sight and sent the draft to W. B. Collins for credit.

3. Our 60-day draft for \$624.50 on Carson & Son has been returned by them accepted.

4. Seymour Eaton presents A. A. Caldwell's order for goods on us amounting to \$12.80 and we have sold him the goods as per bill.

5. We have accepted and returned to Henry Parker his draft on us at 30 days, on account, for \$300.

6. Received cash of Carson & Son, in payment of their acceptance previously received, \$624.50.

7. J. J. Dolliver has indorsed to us on account a 30-day acceptance which he holds against P. Minkler for \$350.

8. Paid by check a sight draft on us for \$75, drawn by E. E. Rehard in favor of Samuel Paulson.

9. Paid our acceptance favor Henry Carson, in cash, \$300.

10. We are notified by our bank that an acceptance against Cass & Dale for \$450, left for collection, has been paid and placed to our credit.

11. Our bank returns accepted a 30-day draft for \$225 against William Clute, on account, left for presentation to drawee.

12. Henry Parker remits, on account, a sight draft on Paul Davis for \$378.40 which we have presented to the drawee who has placed the amount to our credit.

13. Drew a collection draft on J. S. Paull for \$80.50 and left it at the bank for presentation.

This requires a memorandum only, as no values have been passed until the draft is accepted or paid. The memo. of a sight draft drawn should always be carried to the ledger account.

14. Received notice from the bank that the J. S. Paull collection of \$80.50 has been paid, and that the amount, less a collection charge of 25 cts., has been placed to our credit. (Debit Cash and Expense. Why?)

15. Received credit at the bank for S. Benington's acceptance, our favor, \$400, left for collection, less charges, 50 cts.

16. Sold to the bank, acceptance Henry Close, our favor, for \$800, receiving credit for face less discount \$12. (Debit Cash and Interest & Discount. Why?)

17. The bank has given us credit for our sight draft on American Implement Co. for \$300, less a collection charge of 75 cts.

18. Discounted at bank acceptance of Paul Richards, our favor, for \$175, receiving credit \$172.42; discount \$2.58.

19. Received of Perry Peterson, on account, J. P. Colgrove's acceptance, his favor indorsed to us, \$186.75, for which we allow him credit \$185, deducting \$1.75 Interest & Discount.

20. Bought a bank draft for \$200, paying in addition to face, 20 cts. for Exchange, and sent same to Henny Buggy Co. for credit.

21. Bought a bank draft for \$730, and exchange 75 cts. Sent draft to St. Louis Paper Co. in payment of our acceptance, their favor, for same amount.

DIRECTIONS. After completion of entries and full memoranda, submit your work.

QUESTIONS. 1. What is an order?

2. What is a draft?

3. Name three ways in which the draft principle is used.

4. Define drawer, drawee, and payee.

5. Define indorser.

6. What is meant by the term negotiable paper?
7. Define sight draft; time draft.
8. Define indorsement in blank; indorsement in full.
9. How is a draft accepted?
10. How are drafts collected?
11. What is a cash item as applied to drafts?
12. When is a draft a collection item?
13. What is the usual method of sending cash by mail?
14. What ledger title is used to indicate accepted drafts by the acceptor?
15. How does a bank check differ in use from a draft?

EXERCISE XIV

INFORMATION # 115. Persons invest in business not only cash, but any other kinds of value they may possess. Frequently several kinds of property are invested. When such is the case, an account is opened with each part invested, and the proprietor is credited with their sum.

116. Frequently the proprietor has debts to pay which are included as liabilities of the business. When such is the case, the liabilities are credited to the appropriate accounts and the proprietor is debited with their sum.

117. The difference between the resources and the liabilities included in the proprietor's investment is his **net worth** and should be placed to his credit.

118. Frequently a large number of accounts or notes receivable, or accounts or notes payable are entered in the investment. When such is the case, the titles of the accounts are not entered in the journal, but are grouped and the accounts are opened in the ledger from a list which should accompany the inventories of other property.

EXPLANATION. This exercise presents to the student a number of opening entries to be journalized but not posted. The first one will be dated Feb. 22, and those following may be numbered consecutively from 22 upward.

DIRECTIONS. Page a half sheet journal, and enter each investment as given. Remember that each is assumed to belong to a separate business; i. e., that no entry has any connection with the other entries.

TRANSACTIONS. Feb. 22. Henry Patterson opens a grain and feed business at 158 Quincy St., investing the following: Cash, \$820.60; Mdse. per inventory, \$1,398.20; Furniture & Fixtures per inventory, \$129.50.

Enter the full memoranda, then debit the three accounts mentioned and credit the proprietor with their sum.

23. W. B. Jones begins business as dealer in coal and wood, investing stock on hand per inventory, \$4,291.80; coal yard and buildings, \$3,000; forty-eight accounts receivable in ledger as per list, \$1,429.80.

Skip two lines between opening entries.

24. Thomas Hunter opens a hotel business, investing cash \$2,500; building and ground, \$7,500; Furniture & Fixtures per inventory, \$3,490; fifteen notes due from others as per list, \$2,140.60.

25. John Erickson begins a farming business, investing cash \$42.90; 160 acres of land and buildings, \$12,800; live stock, per inventory, \$2,140; machinery and tools, \$742.60.

26. Conrad Oliver opens a grocery store, investing as follows: Cash, \$300; building and grounds, \$2,750. He owes the following to be paid out of the business: Note due the bank, \$600.

27. Henry Ahlman begins the hardware business, investing cash, \$492.81; stock of goods per inventory, \$6,291.83; Furniture & Fixtures per inventory, \$320.80; sundry notes receivable per list, \$2,942.80. He owes sundry notes per list \$1,291.80, and sundry accounts payable \$1,692.41.

28. H. A. Smith begins a dry goods business, investing cash \$1,205; stock of goods, \$7,390.40; sundry accounts receivable, \$500.59. He owes sundry notes payable \$3,491.60, and sundry accounts payable \$2,691.49.

Feb 22	Cash	Henry Patterson	\$2060		
	Mdsse	open a grain &	139820		
	Furniture	fed business	1205		
	Henry Patterson	at 15% Turned in drop with Resources		294280	
	Cash	\$2060			
	Mdsse.	139820			
	Stock	13959			
			294280		
Feb 28	Cash	H.A. Smith	1205		
	Mdsse	begin a dry	739040		
	Accts Recd	goods business	50059		
	Notes Pay	with Resources		349160	
	Accts Pay	Cash 1205		269149	
	H.A. Smith	Mdsse. 739040		291299	
	(drop)	Accts Recd. 50059			
		909599			
		Liabilities			
	Notes Pay	349160			
	Accts Pay	769149			
		6183.09			

DIRECTIONS. Head the exercise and pass it in for inspection.

QUESTIONS. 1. May a person invest more than one kind of property in business?

2. When different resources are invested, what account is credited?
3. When both resources and liabilities are invested, how is proprietor's credit found?
4. How are open accounts entered in an investment?
5. How are notes receivable and notes payable entered?

EXERCISE XV

INFORMATION # 119. A partnership is an association of two or more persons in one business. Each contributes some value to the business and each shares in the gain or loss.

120. The relations of each partner to the firm should be clearly stated in a written contract between the partners called **agreement of co-partnership**. This contract should specify the amounts contributed by each, the amount of time to be given by each to the business, the manner of the division of profits, and the other matters which concern their legal relations.

121. Ordinarily, each partner has **power to bind** the other **in firm contracts**, each is liable personally for the debts of the entire firm, a relation of trust exists between the partners, so that it may be said that it is unwise for any person to join business interests with persons in whom there is any lack of confidence, or with whom there is no positive agreement.

122. Beginning a partnership, the property invested by each should be charged to the account to which it belongs as in any other opening entry, and the partners contributing should be credited with the total value of their investment. If liabilities of any partner are assumed by the firm, the partner bringing the liability should be debited and the accounts representing the liability should be credited.

123. After investments are entered, the books are conducted as in any business until they are to be closed.

124. At closing, the losses and gains of the business are carried to the Loss & Gain account and the net gain is there divided among the partners in the proportion agreed upon. An entry is made for each partner in the Loss & Gain account. The sum of these entries equals the net gain or loss. The account is then balanced, and the net gain or loss entries are posted to the opposite side of the partners' accounts.

EXPLANATION. This exercise is to give the form for opening and closing partnership books. The commercial transactions are simple and few, so that the journal and ledger are the only books required.

DIRECTIONS. Prepare a half sheet of journal paper, which may be paged 1 and 2. A half sheet of journal, headed trial balances on one side and statement on the other, and a half sheet of ledger, paged 1 and 2. Divide page 1 of the ledger equally among four accounts: H. C. Collins, Partner; George Dunn, Partner; Samuel Coe, Partner; and Loss & Gain. Divide page 2 equally among seven accounts: Cash, Merchandise, Real Estate, Furniture & Fixtures, Expense, Notes Receivable, and Notes Payable.

TRANSACTIONS. Nov. 1. H. C. Collins, George Dunn, and Samuel Coe have this day formed a partnership under the firm name of Collins, Dunn & Coe, for the purpose of engaging in the furniture and decorating business. H. C. Collins invests Cash, \$529.40; Merchandise per inventory, \$6,521.80; Furniture & Fixtures per inventory, \$725. George Dunn invests a store building and lot valued at \$8,800. The firm assumes payment of his note favor W. H. Dorr for \$1,000. Samuel Coe invests cash, \$4,000, and a note against C. B. True for \$1,500. The firm assumes a note given by him to Allison & Co. for \$800.

The conditions of the partnership are given in detail in articles of co-partnership, a copy of which is in the hands of each partner.

Enter above in the journal, referring to the model form. Post entries to the ledger.

Nov. 5. Paid cash for sundry expenses per bill, \$87.50.

17. Bought of Grand Rapids Furniture Co., Mdse. for cash, \$2,951.80.

19. Paid freight bill of invoice above, \$32.59. (Charge Mdse. for payments of freight on merchandise received.)

Journal of Collins Dunn & Co. (C.C.)

1909					
Nov 1	H. C. Collins, George Dunn and Samuel Coe have this day formed a partnership under the firm name of Collins Dunn & Co. for the purpose of engag- ing in the Furniture Business as per articles of co-part- nership signed and delivered H. C. Collins' investments				
	Cash	Resources		52940	
	Made	Cash	52940	652180	
	Furn & Fixt	Made	652180	725	
	H. C. Collins' Capital		725		777620
	Partners			777620	
	Real Estate	George Dunn's investments	8700		
	Notes Pay.	Resources		1000	
	George Dunn's share of partner			7800	
	Lot	800			
	Furniture				
	Notes Pay	4000			
	Net Income	800			
	Net Income	800			
	Cash	Samuel Coe's investments	4000		
	Notes Recd	Resources	1500		
	Notes Pay	Cash	4000	800	
	Samuel Coe	Notes Recd	1500	4700	
	Partners		5500		
	Furniture				
	Notes Pay	800			
	Net Income	4700			

25. Paid W. H. Dorr cash in full of his note, \$1,000.
 30. Sold J. B. Elliott, for cash, merchandise per bill rendered, \$1,329.68.
 Dec. 2. Paid cash for insurance of building and merchandise, \$118.
 19. Received cash for merchandise sold to the Palace Hotel Co., \$7,462.40.
 20. Sold the building and lot owned by the firm to M. C. Remington, receiving in payment cash \$2,000 and notes for \$8,000.

DIRECTIONS. Dec. 31. Take a trial balance before closing.

Make a statement of the business. The statement will not differ in arrangement from the form given at close of set A, except that the final division of the net gain among the partners should be in the form given herewith. According to the contract, the gains and losses of the business are to be divided among partners as follows: H. C. Collins, 2/5, George Dunn, 2/5, Samuel Coe, 1/5. Inventories are as follows: Merchandise \$2,850, Real Estate none, Furniture & Fixtures \$700, Expense none, other accounts at face.

Closing of a Partnership Statement

<u>Net Gain</u>		<u>31 Oct 69</u>
<u>H.C. Collins</u>	<u>Investment</u>	<u>777620</u>
"	<u>75 Gain</u>	<u>124216</u>
"	<u>Interest in Business</u>	<u>901836</u>
<u>George Dunn</u>	<u>Investment</u>	<u>7800</u>
"	<u>75 Gain</u>	<u>124216</u>
"	<u>Interest in Business</u>	<u>904216</u>
<u>Samuel Cae</u>	<u>Investment</u>	<u>4700</u>
"	<u>75 Gain</u>	<u>62107</u>
"	<u>Interest in Business</u>	<u>532107</u>
<u>Net Worth of Business</u>		<u>9335159</u>

Closing of Ledger Accounts with Partners- H.C. Collins, Partner

<u>Dec 31</u>	<u>Interest in Business</u>	<u>901836</u>	<u>Nov 1</u>	<u>81</u>	<u>777620</u>
			<u>Dec 31 Loss & Gain</u>	<u>51</u>	<u>124216</u>
					<u>901836</u>
			<u>Dec 1 Interest in Business</u>		<u>901836</u>

- George Dunn, Partner

<u>Dec 31</u>	<u>Interest in Business</u>	<u>904216</u>	<u>Nov 1</u>	<u>81</u>	<u>7800</u>
			<u>Dec 31 Loss & Gain</u>	<u>51</u>	<u>124216</u>
					<u>904216</u>
			<u>Dec 1 Interest in Business</u>		<u>904216</u>

- Samuel Cae, Partner

<u>Dec 31</u>	<u>Interest in Business</u>	<u>532107</u>	<u>Nov 1</u>	<u>81</u>	<u>4700</u>
			<u>Dec 31 Loss & Gain</u>	<u>51</u>	<u>62107</u>
					<u>532107</u>
			<u>Dec 1 Interest in Business</u>		<u>532107</u>

- Net Gain

<u>Dec 31</u>	<u>Barreleat</u>	<u>52</u>	<u>125</u>	<u>Dec 31</u>	<u>Indust</u>	<u>52</u>	<u>216589</u>
	<u>G1 Expense</u>	<u>52</u>	<u>20550</u>		<u>G1 Real Estate</u>	<u>52</u>	<u>1200</u>
	<u>G1 H.C. Collins</u>	<u>52</u>	<u>124216</u>				
	<u>G1 G. Dunn</u>	<u>52</u>	<u>124216</u>				
	<u>G1 S. Cae</u>	<u>52</u>	<u>62107</u>				
			<u>333589</u>				<u>333589</u>

Close the ledger. The gains and losses are closed into Loss & Gain account as before. The net gain is divided and carried to the partners' accounts as shown in the model form.

Take a trial balance after closing under date Jan. 1. Record it below the trial balance previously taken.

Pin the work in the order journal, ledger, trial balance and statement, place heading at top, and submit it for inspection.

- QUESTIONS.**
1. Define partnership.
 2. What is meant by agreement of co-partnership?
 3. What can you say of the power of one partner to bind the others with reference to contracts?
 4. How are the opening entries in a partnership made?
 5. How does the closing of partnership books differ from the closing of the books of a sole proprietor?

Model Journal Entry for Closing a Consignment Account

Aug 3	Const H&G Co ^{#1}	Closed Consignment	17890
	Expense	Comd 45	20
	Commission Advances 1000.90		45
	Cash	Ledger Cr 17890	13410
		Cash on Accts	

Model Shipment and Consignment Accounts

Shipments to Gregory Commission Co					
1909	#1		1909	#1	
Aug 3	500 bushels oil	533.70	Aug 5	Proceeds Cr	510.76
5	Less x Tax 1.75	472.95			
		580.76			580.76
	#2			#2	
Aug 9	500 bushels oil	533.60	Aug 16	Proceeds Cr	519.75
10	Less weight 25	61.80	17	Less tax 1.75	56.5
		545.40			595.40

Consignments from Waterloo Gasoline Engine Co

Consignments from Waterloo Gasoline Engine Co					
1909	#1		1909	#1	
Aug 4	Drawn Cr 45	110	Aug 5	7 R.E. Engines @ .90 on sale	
5	Commission 45				
	Off for Cr 100.90.75	17890	11	R.E. Engines Cr 90	90
			12	" " 90	90
		180			180
	#2			#2	
Aug 9	Drawn Cr 45	275	Aug 9	5 R.E. Engines @ .90 on sale	

SET B

BUSINESS PRACTICE

EXPLANATION. You are to form a partnership or co-partnership with George A. Finney for the purpose of conducting a business as implement dealers and grain buyers and shippers under the firm name of (student) & Finney. You are to contribute your cash on hand. George A. Finney contributes a stock of implements which he now has on hand, a lease for the office and warehouse now occupied. The firm assumes sundry book accounts which he owes. Finney is to contribute in cash enough to make the investments equal. It is agreed that you shall conduct the business, receiving for services a salary of \$200 per month. All losses and gains are to be shared equally between the partners.

DIRECTIONS. Prepare books for use as follows: Journal, cash and trial balances will be a book of 16 pages. Use pages 1, 2, 3, and 4 for journal; 6 to 9 for cash, and the remainder for trial balances and statements. The purchase book, sales book, notes receivable book, and inventories will require 16 pages. Use pages 1 to 7 for merchandise sales book, 8 and 9 for notes receivable, 10 and 11 for grain purchase book, and 12, 13 and 14 for inventories. For convenient reference, write at the upper left corner on heading line the names of Journal, Cash, Purchase, Sales, Notes Receivable, on all the pages assigned for these books. The ledger will be a book of 10 pages and index. Divided into general accounts, pages 1 to 6; accounts payable, pages 7 and 8; customers' accounts, pages 9 and 10. Give general accounts one-half page each, with exception of Notes Receivable, which will take two-thirds of page 6, leaving the remainder for Notes Payable. Give personal accounts one-third page each.

TRANSACTIONS. B1. The student and George A. Finney form a co-partnership on the terms outlined in the explanation above. Invest your cash on hand, \$6,000.

The investment of George A. Finney follows:

Merchandise: 3 Cutler Co. Nar. Tr. Wagons and Dumps @ \$59.15; 3 Top Boxes, 12 in., @ \$4; 2 Henny A8 Surreys @ \$92; 4 Studebaker #108 Wagons, box seat, @ \$46; 1 Illinois Buggy Co. #512 R. Wagon, blue cloth trimmings, @ \$70; 1 New Steinway Wagon, 3 $\frac{1}{4}$ x10 H. T. @ \$59.50; 5 New Steinway Wagons, 3 $\frac{1}{4}$ x10, truck 3 $\frac{3}{4}$ in., @ \$58; 6 New Steinway Wagons, 3 $\frac{1}{4}$ x10, truck 3 in., @ \$53; 1 N. S. Handy Truck, 3 in., @ \$28; 4 Collinswood Mounted Stackers @ \$40; 6 Linn Grove Push-off Rakes @ \$17.50; 8 Moline Plows, N6, @ \$13.20; 2 Moline Plows, N7, @ \$15.20; 3 Prairie Queen Breakers, 14 in., @ \$13.40; 2 Prairie Queen Breakers, 16 in., @ \$16; 4 Shaker Diggers @ \$13; 1 Pipe Bar Harrow, 90th 1/2 in., @ \$12.40; 4 Flex. Harrows, 120th, 16 ft. cut, @ \$14.60; 12 Moline Sulkies N116 @ \$47.80; 3 Moline Gangs N128 @ \$59.75; 5 Moline Cultivators A17 @ \$15.50; 7 Moline Cultivators RA32 @ \$24.60; 1 Moline Clod Crusher, 8 foot, @ \$21.60; 5 Cedar Gate Co. #8 Gate, mesh bottom, @ \$3.70; 3 American Ideal Binders AS291 @ \$105; 4 Adams & Co. #603 Plush Robes @ \$4.25; 2 Adams & Co. #217 Manitoba Plush Robes @ \$4.80; 1 Adams & Co. #369 Beverly P. Robe @ \$6.50; 7 Allen

#4 Drills @ \$12.90; 2 Allen #13 Dbl. Wheel Hoe @ \$7; 8 sets Kipple #110 Harness @ \$38; 5 sets Kipple #112 Harness, 1 $\frac{3}{4}$ -in. traces, @ \$41; 1 doz. Kipple #17 Collars for \$29.50 per doz.; 1 doz. Kipple #461 Hitch Straps, $\frac{3}{4}$ in., for \$2.40 per doz.; 1 Champion Steam Thresher and attachments, \$1,960; 1 Freeport Steam Thresher and attachments, \$2,180.

Expense: 6 months' rent prepaid, \$480; Books and stationery for office use, \$30.

He owes the following firms on open account, which are assumed by the firm:

Moline Plow Co., Moline, Ill.....	\$1,291.60
Cutler Wagon Co., Chicago.....	729.58
Henny Mfg. Co., Waterloo, Iowa.....	527.89
Wisconsin Buggy Co., Sheboygan, Wis.....	158.70
South West Saddlery Co., St. Louis.....	481.96

He is to invest cash sufficient to make a net credit of \$6,000.

DIRECTIONS. Enter an inventory of merchandise on page 10 of inventories. Enter expense inventory and list of accounts on page 11. Then find how much cash should be contributed by Mr. Finney to give him the credit agreed upon.

Draw up articles of co-partnership in duplicate, embodying the foregoing facts and agreements. Attach your signature to both and secure Mr. Finney's signature. Leave one copy with him and retain one for your own files.

Write a receipt in his favor for the amount and collect the cash. Sign the receipt (student and Finney). Make an opening journal entry. Post cash debits to the cash book. Open in the ledger accounts with partners on page 1, Mdse. and Expense on 2; post the accounts payable to pages 7 and 8 of the ledger from the inventory book. Remember that posting these item by item from the inventory book has the same effect upon the ledger balance as posting their total from the journal would have. Check "Accounts Payable" in journal to show that the posting has been done. These balances should show in explanation column of ledger "Bal. per list page 11."

After completion of the posting, take a trial balance and record it on page 8 of trial balances.

B 2. Open an account at the bank and place all cash on hand to the credit of (student) & Finney, the name you will use in signing checks.

Use the pass book you have in your outfit. The bank will provide you with a check book and deposit tickets.

B 3. Sell Elmer McKeown, on his four-months' note, 1 Moline Sulky Plow, N116, for \$62.50.

Enter in sales book. No account will be kept with customers unless mentioned. Bill on short bill head, fill out loose note drawing 6% from date. Receipt the bill and secure his signature to the note. Record the note in the notes receivable book (see model), giving it the No. 1. Place the number on the note in red ink, place the note in the file for Notes Receivable. Post sales book to debit of Notes Receivable in ledger. No use need be made of explanation column, as a full record of the note has been made.

B 4. Sell William Hauser, on two-months' note, at 6% :

1 Moline 8 ft. Clod Crusher for \$26.

1 set Kipple #110 Harness for \$45.

(Proceed as in B3. Give the note No. 2.)

PROGRESSIVE BUSINESS ACCOUNTING

NOTES

Date Recorded	No.	PAYER	Address	Whose Favor	FOR WHAT	WHERE PAY
July 27	1	Elmer McKeown	Tripoli	Our favor	Sale	Office
	2	Henry Hauser	Group	" "	"	"
28	3	Ezra Hoffman	Nashua	" "	"	"
30	4	Earl Arthur	Raymond	" "	"	"
	5	" "	"	" "	"	"
	6	" "	"	" "	"	"
	7	" "	"	" "	"	"
Aug 1	8	Edgar Alderman	Waterloo	" "	"	"

B 5. Sell Ezra Hoffman, on his three-months' note at 6%:

- 1 New Steinway Wagon, $3\frac{1}{4} \times 10$ H. T., for \$78.
- 1 Pipe Bar Harrow, 90th $\frac{1}{2}$ in., for \$15.50.
- 2 Kipple #17 Collars, 22 in., for \$6.50.

(Proceed as before.)

B 6. Sell Roy Hodges, for cash:

- 1 Adams & Co. #603 Plush Robe for \$8.00.
- 2 Kipple #461 Hitch Straps for \$.50.
- 1 Top Box, 12 in., for \$5.00.

(Receipt the bill, collect cash, post to cash book.)

B 7. Sell Walter Bye, for cash, 1 New Steinway Wagon, $3\frac{1}{4} \times 10$ H. T., for \$67.50; 1 Shaker Digger for \$16.

B 8. Sell Harry Bahr, on account, 1 set Kipple #112 Harness, $1\frac{3}{4}$ -in. traces, for \$41; 4 Kipple Collars, 4/20, for \$10.

(Open the account on page 9.)

B 9. Sell F. J. Mixdorf, on account, 1 Moline Gang N128 for \$70; 1 Henny A8 Surrey, \$92; 2 Hitching Straps for 50 cts.

B 10. Sell Earl Arthur, 1 Champion Steam Thresher for \$2,500; 2 sets Kipple #110 Harness @ \$38; receiving in payment cash \$576 and four notes for \$500, payable in 1, 2, 3, and 4 months from date with interest at 6%.

Fill out four notes for Arthur's signature, also a bill which receipt and deliver when you receive the cash and signed notes called for. This entry will be posted from the sales book to the debit of Cash, and of Notes Receivable. Where a sales book entry is to be posted to the debit of two or more accounts, the posting titles should be shown as in the form below.

July 30	Earl Arthur					
	1 Champion Thresher, etc.		2500			
	2 Sets Kip. #110 Harness, 30 c		76	2576		
c	Cash	576				
	6 Notes Recd 2000					

B 11. Send \$500 per draft to Moline Plow Co., Moline, Ill., proceeding as follows: Write a check payable to "Chicago Draft, our order, \$500 Exch. 50 cts." This check is to be passed in at the bank in payment of a draft for \$500 and for exchange on the draft 50 cts. Show on the stub of the check book that Moline Plow Co. is to be charged the face of the draft, and Expense the amount of the exchange. After you have purchased the draft,

RECEIVABLE

Year	Month	Day	TERM	YEAR	WHEN DUE												AMOUNT	Int.	WHEN AND HOW DISPOSED OF
					1	2	3	4	5	6	7	8	9	10	11	12			
1909	July	27	4 mo.	'09									27				6250	60	1/1/09 - sent check #1
		27	2 "	'09									27				60	CHECK #2	1/1/09 - sent
		28	3 "	'09									28				60	CHECK #3	1/1/09 - sent
		30	1 "	'09									30				60	at bank	1/1/09 - sent
		30	2 "	'09									30				60	at bank	1/1/09 - sent
		30	3 "	'09									30				60	at bank	1/1/09 - sent
		30	4 "	'09									30				60	at bank	1/1/09 - sent
		Aug	12	"	'09								1				95	6M	

indorse it in full, write a letter like the model form, and place it in a properly directed envelope.

Transfer from the stub of the check book to the credit side of the cash book two entries, one debiting Moline Plow Co., the other debiting Expense. Check mark the stub to show that entry has been made. Post.

Clinton, Iowa, July 1, 1909.

Moline Plow Co,

Moline, Ill.

Gentlemen:

We inclose Chicago draft \$500 —
for our credit. Please send receipt
for the amount, and oblige.

Yours truly,

Manning & Kinney.

B 12. Purchase a draft \$300, Exchange 30 cts, as above, and send it to the South West Saddlery Co. for credit on account.

West Plains, Mo, July 15, 1909.

The Sharplex Separator Co,

817 Monroe St,
Chicago.

Gentlemen:

Please send by first freight
5 (five) #6 Tubular Hand Separators
and charge our account on your
usual terms!

Yours truly,

Manning & Kinney.

B 13. Order by mail of the Simplex Separator Co., 817 Monroe St., Chicago, 5 No. 6 Tubular Hand Separators, billed on usual terms. Write letter as in model, page 77, and make a memo. of the order in the journal.

In this set, orders for supplies are to be written on the usual letter-heads, and a memo. of the order made in the journal. In the machinery business, many of the order blanks, as well as other contracts, notes, etc., are required to be on the manufacturer's printed forms, so that it is generally only the unusual or small orders that are to be filled on hurry demand during the season.

B 14. Order, by mail, of the Ayers Horse Blanket Co., Cumberland & 3d Sts., Philadelphia, Pa., by fast freight, on usual terms:

- 2 doz. Virginia Blankets.
- 2 doz. Brigand Blankets.
- 2 doz. Vanity Blankets.
- 2 doz. Mogul Blankets.
- 2 doz. Essex Blankets.
- 2 doz. Queen Blankets.
- 1 doz. Jumbo Blankets.
- 4 doz. Storm King Blankets.

Do not overlook making a memo. of the order in the journal.

B 15. Sell Edward Alderman, for his two-months' note, no interest until maturity, 6% thereafter: 1 Illinois Buggy, #512, blue cloth trimming, for \$95.

Is the note #8 recorded in the notes receivable book?

B 16. Sell Claude Sawyer, on his note at 60 days, with 6% interest from date, the items listed below. Require also the signature of J. P. Hess, who is willing to sign the note as an accommodation to Sawyer.

- 1 Cutler Wagon, Nar. Tr. & Dump, for \$74.50.
- 1 set Kipple #112 Harness, 1 $\frac{3}{4}$ trace, for \$56.00.
- 1 set Kipple Collars 2/21 for \$6.50.
- 1 Allen #4 Drill for \$16.50.

B 17. Sell Paul Landy for cash \$20, and his 30-days' note at 6% for the balance:

- 1 Collinswood Mounted Stacker for \$55.
- 2 Linn Grove Push-off Rakes for \$25.
- 1 New Steinway Wagon, 3 $\frac{1}{4}$ x10 truck 3 in., for \$67.50.

B 18. Sell Freeman High for cash \$50, balance on 90-day note at 6%, with additional signer B. Bodholdt.

- 2 Moline Cultivators A17 @ \$26.
- 1 Cedar Gate #8, mesh bottom, for \$5.50.
- 1 Studebaker #108 Wagon for \$65.

B 19. Sell Frank Cotter, receiving in payment two notes for equal parts due 2 and 4 months respectively, at 6%:

- 1 Studebaker #108 Wagon for \$65.
- 1 Linn Grove Push-off Rake for \$25.
- 1 Flexible Bar Harrow 120th for \$18.
- 1 set Kipple #110 Harness for \$45.

B 20. Deposit in the bank all cash on hand.

EXPLANATION. In this set the student will buy grain for shipment, paying market prices. Grain is bought in many small lots and shipped by the car load to the general grain markets or to mills located in towns and cities throughout the country. A ledger account will be kept with Grain, and the purchase book will be kept for grain purchases. Purchases of mer-

chandise, being few in number in this business, will be entered in the journal. The total of the grain purchase book will therefore be charged to Grain, not Merchandise account.

INFORMATION # 125. The transfer of the real property is of so great importance that a special instrument called a deed is used to evidence the conveyance. A deed is a sealed instrument used to convey real estate. It is signed or acknowledged in the presence of a justice of the peace, notary public or other officer empowered to certify to the genuineness of the instrument. After its delivery, the grantee should have the county recorder, or the public official whose duty it is to make a public record of all titles in land in a given county, record it. This record is official notice of the change of ownership. Before buying lands, the intending purchaser should have prior records thoroughly examined by a competent person, as an attorney-at-law or an authorized abstract company, to make sure that the grantor has good legal title to the property to be conveyed. Deeds and conveyances are of different kinds. The two common forms of deed are the quit claim deed and the warranty deed. In the former the grantor conveys his interest, whatever that may be. In the latter the grantor, in addition to conveying his interest, undertakes to warrant that the title is good and complete.

B 21. Buy of Stephen Brown and his wife, Lillian Brown, lots 3 and 4, in block #39 of the recorded plat of your city, on which a grain elevator stands as part of the property, for cash \$3,800.

Fill out a warranty deed (see legal forms), and secure the signatures of the grantors, acknowledged by a notary public. On receipt of the deed, write a check for \$3,800, payable to Stephen Brown, and deliver it. Charge Real Estate.

Write a check favor Claude Parker, county recorder, for \$1, and hand it to him to pay the recording fee for the deed. The deed is left with this official for record. Charge Expense.

When the deed is returned, see that the date of record is plainly indorsed on the back. File the deed with miscellaneous business papers. Enter in cash book and open account with Real Estate on page 3 of ledger.

B 22. Buy of William Weaver, giving check in payment:

2 loads of wheat, 58 bu. and 64 bu., @ 81 cts.

Enter in grain purchase book as shown in the model entry. Make memo. in lower left corner of the check for Weaver, thus: "122 bu. wheat at 81 cts." When transferring from check stub to cash book, do not use the title column as the posting to the debit of Grain account will be taken from the total of the grain purchase book.

Aug 15	William Weaver	Cash			
	122 bu. wheat 58 + 64 = 122 @ .81				98.82

B 23. Buy of F. E. Lucas, paying by check, 1 load wheat, 49 bu., @ 81 cts.

B 24. Buy of F. J. Mixdorf, to apply on his account, 57½ bu. wheat @ 81 cts.

Enter the purchase and post to credit of F. J. Mixdorf's account on page 9 of ledger.

B 25. Submit a ticket as in set A, showing

1. Amount of cash invested.
2. Amount of cash received since investment.
3. Amount of cash paid since investment.
4. Amount of cash balance.
5. Amount of merchandise sales.
6. Amount of grain purchases.

Balance the cash book and compare the balance with balance on check stub.

B 26. Receive invoice in response to order sent to Simplex Separator Co. (The articles billed have arrived and have been taken from freight house and placed in the warehouse by the Curtis Transfer Co.)

Observe that the invoice shows the price at which you are to sell the items \$115. From this is deducted the trade discount, 25%, which is your profit, leaving a net amount to credit of the shipper of \$431.25. Observe that in selling the Simplex Separator, it may be necessary to exchange it for Lulu Separators, with which the Simplex is in competition. If such exchange is necessary, the Simplex Separator will allow you credit for the exchanged article as shown on the invoice.

Enter Merchandise purchases in the journal in this set. Voucher numbers are not given to incoming bills in this business for the reason that the settlement of accounts is governed by special contracts, and in some cases is made annually.

INFORMATION # 126. Railroad companies render **expense bills** for the transportation charges on goods shipped by freight. These expense bills are written on forms prepared by the railroad company. It is customary for the local transfer company when delivering in-freight to take up the expense bill, add their drayage charges to it, and present all in one amount to the consignee (party to whom the freight is shipped) for payment.

127. The in-freight and drayage charges are debited to the account to which the property received is charged.

B 27. The Curtis Transfer Co. present the bill for freight and drayage on invoice received in B26. \$4.02.

Pay by check in their favor, enter, and post.

Cedar Falls, Iowa, July 17, 1909.

Ayers Horse Blanket Co.,
Cumberland & St. Sts.,
Philadelphia, Pa.

Gentlemen: The blankets which you invoiced to us July 16, arrived in satisfactory condition. In accordance with your terms we inclose our note #1, at 60 days for \$500.00, in full payment. The invoice is also inclosed for your receipt.

We thank you for your prompt service.
We remain,

Yours truly,
Manning & Finney.

B 28. Receive invoice in response to order sent to Ayers Horse Blanket Co. (The invoice checks with the goods delivered from freight house). The invoice calls for payment by 60-day note. Write a note in favor of the shipper for the amount of their bill for the given time, without interest. Record the note in the notes payable book and number it 1; enter it in the journal to the credit of Notes Payable (there will be no ledger account with this firm); write a letter similar to the model on page 80, and mail letter, invoice, and note accordingly.

B 29. The Curtis Transfer Co. present railroad expense bill, drayage charges attached, for the last delivery of merchandise. Pay by check.

B 30. Send Henny Mfg. Co., by mail, your note at 30 days drawing 6%, in full of account. Write a letter. Record in notes payable book, make journal entry.

B 31. Sold Vernal Arthur, on account:

- 1 #6 Tubular Hand Separator #59783 for \$115.
- 1 Prairie Queen Breaker, 14 in., for \$16.50.
- 1 American Ideal Binder AS291 for \$105.

B 32. Received of Vernal Arthur, to apply on purchase price of hand separator sold him, 1 Lulu Separator, for which allowed on account, \$25.

Enter in journal. Debit Simplex Separator Co., credit Vernal Arthur.

B 33. Sold H. L. Howard, on account:

- 1 #6 Tubular Hand Separator #59784 for \$115.
- 1 Shaker Digger for \$16.
- 1 Collinswood Mounted Stacker for \$55.
- 1 Linn Grove Push-off Rake for \$25.

B 34. Sold to sundry cash purchasers the following items. Enter in the sales book and carry total to the cash book.

- 2 Virginia Blankets, 80x84, for \$6.00.
- 1 Cutler Nar. Tr. Wagon and Dump for \$74.50.
- 1 3½x10 Steinway Hand Truck, 3 in., for \$38.
- 2 Mogul Blankets, 80x84, for \$8.50.
- 1 Moline Plow N6 for \$17.
- 1 Prairie Queen Breaker, 16 in., for \$18.25.
- 1 Essex Blanket, 84x90, for \$4.
- 1 #6 Tubular Hand Separator #59785 for \$115.
- 2 Moline Cultivators RA32 for \$63.
- 1 Cedar #8 Gate, mesh bottom, for \$5.50.
- 2 Adams & Co. #217 Manitoba Robes for \$15.
- 2 Jumbo Blankets, 90x96, for \$9.
- 2 Kipple Horse Collars, 22 in., for \$6.50.

B 35. Richard Hall makes arrangements with us to purchase his wheat at market price. We are to give him credit on open account as received. Open his account in ledger, page 10.

He sends today 5 loads, 54, 56, 61, 49, and 52 bu. respectively, for which give him credit at 82 cts. per bu.

B 36. Buy of Robert Weatherwax 2 loads of wheat, 58 and 42 bu. paying by check at 82 cts.

B 37. Buy of G. F. Foley 137 bu. wheat at 81 cts., paying by check.

B 38. Sell Arthur Dickman and Henry Dickman, on their five joint notes maturing in 1, 2, 3, 4, and 5 months respectively, at 6%, one Freeport Steam Thresher and attachments for \$2,625.

B 39. Send a draft to Cutler Wagon Co. for \$200, exchange 20 cts., to apply on account. (See B 11.)

B 40. Richard Hall delivers 1,039 bu. wheat for which give him credit at $81\frac{1}{2}$ cts.

B 41. Sell Richard Hall, on account:

2 Studebaker #108 Wagons, box seat, for \$130.

2 Top Boxes, 12 in., for \$10.

B 42. Sell to Harry Shaw, receiving cash \$100 and his note at 30 days drawing 6% for the balance:

1 American Ideal Binder for \$130.

1 Adams #369 Plush Robe for \$9.50.

2 Hitching Straps for 60 cts.

1 #6 Tubular Hand Separator #59756 for \$115.

INFORMATION #128. A part payment of a note is acknowledged by the holder's **indorsement** written on the back of the note. Indorsements may be in cash or in other value. The indorsements of a part payment should be written across the note at the end opposite to the one on which transfer indorsements are written. The indorsements of payment are written at the reverse side of the right end of the paper; the transfer indorsements are written at the reverse side of the left end of the paper.

B 43. According to agreement, Harry Shaw delivers a second-hand Lulu Separator, for which he is allowed \$25 to apply on his note given in B 42.

Indorse on the note words in the following form: "Aug. 2, 1909. Received to apply on within, 1 Lulu Separator for \$25." Write opposite the amount of the note in the notes receivable book, above, not on, the blue line on which the note is recorded, words in the following form: "Aug. 2, 1909. Indorsed \$25." When a final payment of any note is made, the annotation is written on the blue line.

Make the correct journal entry for this and post.

B 44. Collect cash \$20 from Paul Landy in part payment of our note #10 against him.

Indorse on note thus: "Aug. 2, 1909. Indorsed cash \$20." Show payment in notes receivable book, enter in cash book, and post.

B 45. Received of Richard Hall 788 bu. wheat, for which give him credit at $82\frac{1}{2}$ cts.

B 46. Pay to Richard Hall, check to balance account.

B 47. Deposit the cash on hand.

B 48. Send Wisconsin Buggy Co. a bank draft for \$100 to apply on account.

B 49. Buy of William Putnam, 329 bu. wheat @ $82\frac{1}{2}$ cts., giving check in payment.

B 50. Balance the cash book, and leave your bank pass book at the bank to be balanced. Open an account with Grain on page 3 of ledger and post the total grain purchases to this account.

Post total merchandise sales to the credit of Mdse.

Enter a trial balance on page 8 of trial balance book.

Submit a ticket showing

1. Cash balance.

2. Merchandise sales to date.

3. Grain purchases to date.

4. Number of bushels of wheat on hand.

INFORMATION # 129. Grain, cotton, live stock, vegetables, fruits, poultry and other commodities are purchased in the communities where produced and sent in quantity to commission houses in the larger business centers to be sold on the market. The price that they will bring cannot be definitely stated until the goods arrive at the place of sale. Goods sent thus to commission merchants are called **shipments** by the shipper (consignor). A ledger account is opened with the property sent to any one firm. For example, if a shipment is sent to Goodyear Commission Company for sale on your account and risk, you should open an account with "Shipments to G. Com. Co." in the ledger. Under this general title each shipment should be given a few lines space and should be referred to as #1, #2, etc., referring to the order in which they were sent. These divisions of the general shipment account should be charged with the cost of the shipment and with any subsequent charges paid by the consignor pertaining to the shipment. When the consignee has sold the shipment, he makes a report called an **account sales** for the consignor. This account sales shows the price and amount secured for the goods shipped, together with a deduction from that amount, of the consignee's charges for services in handling the goods and conducting the sale. After deducting the charges, the **net proceeds** remains. This is remitted to the consignor with the account sales by check or is placed to his credit to be drawn against. The consignor, on receipt of the account sales, credits the shipment account by number with the net proceeds and charges the account indicated. In some kinds of shipments the consignor is allowed to draw drafts on the commission house against the proceeds of the shipment, at the time he ships. This he does that he may cash the drafts at a bank and thus secure ready money. In order to do this the shipper secures from the railroad company a bill of lading (see #130), which is evidence that the shipment has been made; and sends this bill of lading to the consignee, either in the letter of advice or he may send it pinned to the draft. If the shipper cashes a draft against the shipment, he credits the shipment by number with the amount of the draft. In that case, after sale, the consignee remits or credits the net proceeds of the sale after the amount of the draft is deducted. After full returns, each shipment account shows a loss or a gain, and the account is closed into the Loss & Gain account.

#130. A **bill of lading** is a written contract between a railroad or other common carrier and a shipper describing goods received for shipment, stating terms of shipment and to whom delivery is to be made. Copies are kept by the shipper and the agent of the transportation company. It is presented by the consignee to show title to the goods shipped.

B 51. Consign to the Gregory Commission Co. one car load, 600 bu., wheat for sale on our account and risk, freight unpaid, by Commercial Railway Co.

Receive a bill of lading from the railway Co. Write a letter of advice like the form on page 84, and make a journal entry debiting "Shipt. Gregory Com. Co. #1," and crediting Grain, 600 bu. wheat @ 82 cts. Open the new ledger account at top of page 4. Observe the model on page 73 closely.

B 52. Consign to Mead & Beach, Chicago commission merchants, for sale on our account and risk, 1,330 bu. wheat, freight prepaid, by Railway. (Open account with "Shipments to Mead & Beach.") Pay freight as shown on bill of lading, by check. Charge the shipment to Mead & Beach #1 with the wheat at 82 cts. per bu. through the journal, and the freight paid through the cash book.

Faribold, Iowa, Aug. 13, 1909.

*Gregory Commission Co.,
Minneapolis, Minn.*

Gentlemen:

*We send by freight unpaid $\frac{1}{2}$ C. C.
enclosed one car load, 36000# wheat
#2 Spring for sale on our account.
Please secure best cash price on
arrival and remit for proceeds.*

*Yours truly,
Manning & Zinney.*

B 53. The Oakdale Milling Co., Oakdale, Neb., offer you 4 cents above market price for No. 2 wheat billed f. o. b. (free on board) your station. Ship them one car load, 620 bu., at 86 cts. and charge their account. This is not a consignment but a sale. It must be entered in the journal, not sales book, because merchandise sales only are entered in the sales book. Secure bill of lading and send with bill. Open Oakdale Milling Co. account on page 10 of your ledger.

INFORMATION # 131. A **consignment account** is an account kept with goods sent by others for sale on their account and risk. The commission houses to whom you sent shipments in B51 and B52 will keep consignment accounts with your shipments. Manufacturers who offer new products for which there is a doubtful market may be unable to sell their goods to dealers. But dealers frequently take such goods on consignment (on sale), that is, with the understanding that they are not to be remitted for until sold. The consignor is not credited when the goods arrive, but is credited with sales as they are made. At the close of the season, if any articles consigned remain unsold, they are to be accounted for and may be returned to the consignor or kept until sold as agreed upon.

132. The consignments account with any firm should show a memo. of goods received, each consignment being numbered as with shipments in the credit explanation column. Sales as made should be posted to the credit of the consignment to which they belong, and fully explained. When any one consignment is closed, the amount due should be remitted and charged, thus balancing the account. See model on page 73.

133. Goods consigned may be entered on a regular form bill, terms "on sale," and a price may be placed on the items sent. This may be the net price or the list price. If they are thus billed in memo. at net price, the dealer will make his profit by selling above that price. If they are billed at list or selling price, the dealer will make his profit by deducting a commission from that price.

B 54. Receive invoice from Waterloo Gasoline Engine Co., who have sent you two items on sale. Open an account in ledger, page 5, with "Consignments from W. Gas. Eng. Co.," and in the credit side enter the date, the number of the consignment and explanation "2 R. E. Engines @ \$90."

B 55. Pay Curtis Transfer Co., by check, \$1.10 for delivering the engines from freight house. (Charge Const. W. G. E. Co. #1.)

B 56. Sell A. C. Hoenig, for cash \$90, one R. E. Gasoline Engine from this consignment. Bill as usual, but do not enter in sales book, for a consignment is to be credited, not Merchandise. Make the entry in the cash book, and post to credit of Const. W. Gas. Eng. Co. #1.

B 57. Sell to E. Yearsley, on his 30-day note at 6%, 1 R. E. Engine from Const. W. Gas. Eng. Co. #1 for \$90.

Enter in journal and post.

INFORMATION # 134. Commission is an allowance made for buying or selling property belonging to other persons. It is usually computed at a certain per cent of the amount bought or sold. The commission account in the ledger shows on the credit side a gain, representing the amount that the operations in commission have given to the business.

135. When a consignment is all sold, close the account by debiting against it the commission earned, and any other charges connected with it. The difference between these charges and the amount of sales is called **net proceeds**, which should be remitted to the consignor, or credited to his personal account according to agreement.

B 58. As Const. W. Gas. Eng. Co. #1 is sold, close the account. The entire sales amount to \$180. Your commission at 25% is \$45. This with the drayage charge of \$1.10 already made leaves the net proceeds \$133.90.

Buy a bank draft for this amount, giving the check for 20 cts. additional exchange.

Make a journal entry as in model, and after posting, foot and rule Const. W. Gas. Eng. Co. #1, for it should be in balance.

Inclose the draft in a letter like the model reporting the sale.

Dennison, Iowa, Aug. 5, 1909.
Waterloo Gasoline Engine Co.,
Waterloo, Iowa.

Gentlemen:

We inclose Chicago draft for \$133.90
in settlement of your consignment of Aug. 1.
Sold 2 R.E. Gasoline Engines @ \$90. 180.
Charged:

Drayage	1.10
Commission 25%	<u>45.</u>
Net proceeds ad above	<u>46.10</u>
	<u>133.90</u>

Yours truly,
Manning & Finney.

INFORMATION # 136. Consignment accounts, as well as all other accounts requiring itemized statements, should show, in the explanatory columns of the ledger, memoranda sufficient to make a clear explanation of all entries. If this is not done, time and patience will necessarily be expended in looking up the original entries.

B 59. Receive an invoice of shipment from the Columbus Automobile Co. The Curtis Transfer Co. have delivered the items listed in the invoice.

EXPLANATION. By arrangement with a traveling representative of this company, your firm has agreed to receive on consignment 3 Columbus High Wheel Runabouts to be sold at \$550 each. You are to deduct from the proceeds of sales all necessary charges connected therewith, including freight, repairs, and a commission of 20% on gross sales. At settlement, you are to remit cash for the proceeds, or you may remit not over one-half of the proceeds in good notes indorsed by your firm.

Open an account with "Consignments from Columbus Automobile Co." and enter memo. of goods received as in previous consignment.

B 60. Pay freight and drayage bill presented by the Curtis Transfer Co. and charge to Const. C. A. Co. #2.

B 61. Buy of E. J. Gilleas 443 bu. wheat @ 84 cts., paying by check.

INFORMATION # 137. Business men when short of immediate cash usually borrow money from a bank, giving their short time notes. These advances by the bank are called either loans or discounts. When the bank's customer gives his interest-bearing note for which the bank allows him the face of the note in cash or credit, the transaction is called a **loan**.

When the bank's customer presents his non-interest-bearing note and the bank deducts from the face the interest for the term, and gives him cash or credit for the proceeds (remainder after deducting the interest), the transaction is called a **discount**.

In addition to getting cash by loan or discount on his own notes, the business man frequently discounts at the bank notes that he holds against other persons.

When a loan or discount is made, the borrower, if he has an account at the bank, should enter the note or notes on a deposit ticket and make a total of the proceeds. On receiving this, the bank teller will credit the amount as in any other deposit. When the note becomes due, it should be paid by check.

B 62. Write a note at thirty days in favor of your bank, for \$1,000, without interest, and record it in the Notes Payable book. Enter it on a deposit ticket showing the face less discount for thirty days at 6%, and deposit the proceeds. Make a journal entry debiting Cash, Interest & Disc't, crediting Notes Payable. Post, enter the deposit in the check book, and show the bank balance.

B 63. The commission company to whom you sent shipment in B51, send you an account sales and a bank draft for the proceeds of the sale of the grain.

After examination of the report and draft, if found correct, enter the amount of the draft to the credit of shipments to Gregory Commission Co. #1, enter in cash book, place the draft in the cash drawer, and post the entry.

After the entry is posted, you will observe by comparing the debit and credit amounts of this shipment, that the result is a gain to you of \$11.75. Enter in the debit side of the shipment account, in red ink, the date, "Loss & Gain \$11.75," foot and rule the account. Open an account with Loss & Gain

on the lower one-third of page 5, and post the Loss & Gain entry to the credit of this account, using the explanation "Shipt. G. C. Co. #1."

B 64. Ship to the Gregory Commission Co. a car load of wheat, 580 bu., at 83 cts., for sale on your account and risk, freight unpaid. Follow routine given in B51.

Turn to Shipt. G. C. Co. account in ledger, and below the ruling, enter a memo. of the shipment #2 as shown in the model form.

B 65. The commission firm to whom you sent a shipment in B52, send you an account sales showing that they have sold the grain and have placed the proceeds to your credit subject to sight draft. Make a journal entry debiting Mead & Beach (personal account), and crediting Shipt. M. & B. #1, and post. Open the account with Mead & Beach at foot of page 10.

Close Shipt. M. & B. #1 into Loss & Gain as you closed Shipt. G. C. Co. #1.

B 66. Send by mail a sight draft on Mead & Beach in favor of the Cutler Wagon Co. for the balance due the latter firm (read Infor. #106-2d).

The amount of the draft may be found by reference to the ledger account.

	WATERLOO, IOWA. <u>Aug. 8, 1910.</u>
No. <u>1. - Aug. 1910</u>	<u>At sight</u> <u>PAY TO THE ORDER OF</u>
Time <u>sight</u>	<u>Cutler Wagon Co.</u> <u>\$ 529 53</u>
Payee <u>Cutler Wagon Co.</u>	<u>Five hundred twenty nine</u> <u>DOLLARS</u>
<u>\$ 529 53</u>	<u>WITH EXCHANGE</u>
Drawer <u>Mead & Beach</u>	<u>VALUE RECEIVED AND CHARGE TO ACCOUNT OF</u>
<u>Chicago</u>	<u>to Mead & Beach,</u> <u>Manning & Finney</u>
<u>For What <u>an acct.</u></u>	<u>Chicago, Ill.</u>

Fill the stub and draft as shown (see model), write a letter (see model), make the journal entry, and mail the remittance. Post the entry.

Attnum, Iowa, Aug. 8, 1909.

Cutler Wagon Co.,

*598 Fullerton Ave.,
Chicago, Ill.*

*Gentlemen:- We inclose sight draft inv #1
on Mead & Beach for \$529 53 for our credit.*

Please send receipt, and oblige

*Yours truly,
Manning & Finney.*

B 67. Draw at sight on Oakdale Milling Co. for the amount of their account. Deposit the draft, less a discount of \$1.00, in the bank. (Read Infor. #112.) Journalize, post, enter the deposit in check stub.

B 68. The Southwest Saddlery Co., of St. Louis, have drawn on you to balance your account. The draft has been forwarded to your bank for collection. Call at the bank, and after seeing the draft, compare the amount with the balance to the credit of that company in your ledger. If the amount is correct, write a check in favor of your bank for the face and a collection charge of 30 cts. which your bank adds for their services. Enter in cash book (two titles) and post. See that the sight draft has been marked "paid" by the bank, then file it as a receipt.

B 69. Pay, as in B68, the sight draft drawn on you by the Wisconsin Buggy Co. to balance account. The exchange added to the draft is 15 cts.

B 70. The Waterloo Gasoline Engine Co. sends you a second consignment (see B55), as per invoice of shipment. The items called for have been delivered at warehouse by the Curtis Transfer Company, to whom pay currency for drayage, \$2.75.

B 71. Bought of Richard Hall, on account (see B35), five loads of wheat, 58, 56, 64, 59, and 62 bu. respectively, 84 cts. per bu.

B 72. Sell to Herbert Jordon, for cash \$200 and his 90-day note at 6% \$350, one Columbus Runabout from Const. from Columbus Automobile Co. #1. Enter in journal. Why? See B56 and B57, also Infor. #85.

B 73. Sell to F. J. Mixdorf, on account:

1 Cutler Nar. Tr. Wagon & Dump for \$74.50.

1 Moline Plow N6 for \$17.

1 Cedar Gate #8, mesh bottom, for \$5.50.

Enter in sales book, page 4.

B 74. Sell to Vernal Arthur, on account:

1 American Ideal Binder AS291 for \$105.

1 Allen #13 Dbl. Wheel Hoe for \$10.50.

1 Henny A48 Surrey for \$115.

INFORMATION # 138. It is well to form a habit of completing all entries and computations correctly before proceeding with work. A first-class bookkeeper will make a correct trial balance on the first addition more frequently than he will miss making it. For those who sometimes fail in this respect, a few rules for detecting errors in trial balances are given:

1. Make the trial balance as complete and perfect as possible, using pencil footings.

2. On a loose slip of paper compute the amount of the discrepancy.

3. If you are conscious of a tendency to make several errors in the amount of posting since last trial balance, **check the posting**. Begin with the journal and see that all debit entries are posted to the ledger on the debit side. As each entry is compared, place a small neat pencil check mark on the double ruling before it in both journal and ledger. Next, check journal credits, cash book debits and credits, and continuing check all books of original entry with the accounts. If no error is discovered, review all the amounts supposed to be posted and see if any are **not checked**. An entry not checked may be some item posted a second time by mistake. If at any time part of the desired amount is found, deduct that part from the amount first sought so that the exact difference may be always in mind.

4. If the books do not balance when checked back, there may be an error in addition. Review all footing, and transferring of amounts.

If you think that you have probably made only one error, apply the following:

5. Look for one-half of the amount desired, in the greater side of the ledger. You may have posted an item to the wrong side, which would result in a difference in the trial balance of double the amount mis-posted.

6. If the discrepancy is divisible by 9, look for a reversal of figures in posting or in transferring amounts. For example, \$95 posted for \$59 would make the trial balance out of balance the difference between them, \$36, a number divisible by 9. \$529.61 posted for \$569.21 would make a discrepancy of \$39.60, a number also divisible by 9. Likewise any reversal of figures will cause a discrepancy divisible by 9.

7. If the discrepancy is a single figure with any number of ciphers, as 1, 10, 1,000, 500, 90,000, it would be well to review the footings. An error in addition is probable.

8. Persons who make numerous mistakes have discovered other ways of finding them. If the bookkeeper would form the habit of understanding and doing all his work correctly as he proceeds, he would have no mistakes to discover.

B 75. Balance the cash book and prove the balance to be correct. Carry the balance to top of page 6.

Foot and post the Merchandise sales book.

Foot and post the Grain purchase book.

Make a trial balance and record it on page 9 of trial balances.

Deposit all cash on hand and leave the bank pass book at the bank for balancing.

Pass a ticket to teacher's desk showing:

1. Amount of cash in drawer.
2. Amount of cash in bank.
3. Amount of Notes Receivable on hand.
4. Bushels of wheat on hand.
5. Bushels of wheat in shipment not sold.

B 76. Sell to Charles Deeming, for cash, \$550, one Columbus Runabout of Const. from Columbus Automobile Co. #1.

B 77. Collect cash of Harry Bahr in full of account, and give him a receipt.

B 78. Collect cash of Henry & Arthur Dickman in full payment of their note (your No. 14) and interest computed at 20 days.

Compute the interest, add it to the face of the note. Receive the cash, mark the note "paid" on notes receivable book and on the face of the note. Surrender the note. Enter in cash book, crediting two titles, Notes Receivable and Interest & Discount. Post.

B 79. Collect cash of H. L. Howard, in full of account, giving a receipt.

B 80. Draw on Mead & Beach for the balance due in favor of Columbus Automobile Co., and remit the draft (write letter) to the latter firm to apply on their consignment.

B 81. Sold Edward Helt, for cash \$550, one Columbus Runabout from Const. C. A. Co. #1.

B 82. Close the Const. from Columbus Auto. Co. #1. (Read Infor. #136, compare with B58 and read B59.)

As per contract, you are allowed to remit up to one-half of your proceeds

in notes indorsed by you. You will send as a part of your remittance for the proceeds of the consignment, your notes receivable Nos. 1, 2, 3, and 21, which indorse to them in full, to be charged at face without reference to interest. (Do not forget to endorse the notes in full and mark them off the notes receivable book with an annotation similar to this: "Aug. 9, 1909. Sent C. Auto. Co. on a/c.")

After deducting the notes, your commission and the charges to the consignment already made from the total credit of the consignment, purchase a bank draft for the balance due, paying for the draft and 10 cts. exchange by check.

Make a journal entry, charging the consignment and Expense, and crediting three titles.

Post the entry, foot, and rule the consignment account.

Write in letter form an account sales of the consignment reporting the remittance to balance.

In the letter, list the notes by number, name, and amount. Mail the letter, notes, and draft to the consignor.

B 83. Sell to Winnifred Bush, for cash \$90, one R. E. Gasoline Engine from Const. W. G. E. Co. #2.

B 84. You have learned that F. J. Mixdorf, who owes you a balance on open account, has changed his residence to Platte, Charles Mix Co., S. D. Make an annotation at head of his ledger account, showing the date and his address.

Make a statement of his account, and inclose it in a letter to him urging immediate payment. State in letter that if you do not hear from him at once you will draw on him at sight for the amount.

B 85. The Henny Mfg. Co. have sent to your bank for collection your note No. 2 to them which may be considered now due.

Pay the amount (face and 30 days' interest) by check; receive the cancelled note.

Mark date of payment on notes payable book; paste cancelled note to stub.

B 86. As you will soon need a large amount of cash, submit to your banker the following notes receivable for discount: Nos. 4, 5, 6, and 7, Earl Arthur; Nos. 15, 16, 17, and 18, H. & A. Dickman; No. 19, Harry Shaw; No. 20, E. Yearsley.

The banker will allow you credit for them as follows:

For Nos. 4, 5, 6, and 7, face less \$8.33 discount.

For Nos. 15, 16, 17, and 18, face less \$13.25.

For No. 19, face less the indorsement.

For No. 20, face, no discount.

Accept the offer and make a list of the notes. No. 19 should be listed at face less indorsement. Foot the list. Deduct the discount, and show the net proceeds of the notes.

Indorse in full each of the notes in favor of the bank.

Make annotation on notes receivable book opposite each note discounted, in this form: "Aug. 10, 1909, discounted at bank."

Attach your list of notes to a deposit ticket, and deposit the proceeds. Make the book entry.

B 87. Not hearing from F. J. Mixdorf, draw a sight draft on him for the

amount due and leave it at the bank for collection. (See Infor. #106-3d.) A memo. in ledger account is to be made like the following: Aug. 10, 1909. Drew through bank for bal., \$212.92.

B 88. Receive account sales from Gregory Commission Co., of shipment #2, with draft for net proceeds. (Compare with B63.)

B 89. Sell to Richard Hall, on account, 3 R. E. Gasoline Engines @ \$90, from Const. W. G. E. Co. #2.

B 90. Draw a sight draft on Vernal Arthur, at Millerstown, your state, for the balance due, and leave the draft at the bank for collection.

B 91. Pay by check your Note Payable #3 due the bank. Consider this the maturity date of the note.

B 92. Sell to Vivian Dix, for cash \$90, the remaining R. E. Gasoline Engine belonging to Const. W. G. E. Co. #2.

B 93. Close Const. W. G. E. Co. #2 and remit the proceeds. (Refer to B58.) Exchange on bank draft is 40 cts.

B 94. Paul Landy makes a second payment of \$40 cash on his note #10. (Compare with B44.)

B 95. The Ayers Horse Blanket Co. have sent your acceptance their favor (Note Payable #1), to your bank for collection. Considering it now due, pay it by check.

B 96. The bank has collected the sight drafts which you left for collection against F. J. Mixdorf and Vernal Arthur. They have placed the proceeds to your credit after deducting 45 cts. and 75 cts respectively from the drafts for collection charges. Take your pass book to the bank and have the teller enter (as deposits) the proceeds of the drafts collected. Make entry and post.

B 97. Write a check in favor of yourself for one month's salary, \$200. Charge Expense. Cash the check.

B 98. Deposit all cash and leave your pass book at the bank to be balanced.

B 99. Take a trial balance.

B 100. Make a statement of the business and close the ledger. The inventories are given below.

Merchandise: 4 New Steinway Wagons, truck 3x3 $\frac{3}{8}$, @ \$58; 5 New Steinway Wagons, truck 3 in., @ \$53; 2 Collinswood Mounted Stackers @ \$40; 2 Linn Grove Push-off Rakes @ \$17.50; 6 Moline Plows N6 @ \$13.20; 2 Moline Plows N7 @ \$15.20; 2 Prairie Queen Breakers, 14 inch, @ \$13.40; 1 Prairie Queen Breaker, 16-inch, @ \$16; 2 Shaker Diggers @ \$13; 3 Flex. Pipe Bar Harrows 120th @ \$14.60; 11 Moline Sulkies N116 @ \$47.80; 2 Moline Gangs N128 @ \$59.75; 3 Moline Cultivators A17 @ \$15.50; 5 Moline Cultivators RA32 @ \$24.60; 3 Cedar Gate Co. #8 Gates, mesh bottom @ \$3.70; 3 Adams & Co. Plush Robes #603 @ \$4.25; 6 Allen #4 Drills @ \$12.90; 1 Allen #13 Dbl. Wheel Hoe @ \$7; 4 sets Kipple #110 Harness @ \$38; 3 sets Kipple #112 Harness, 1 $\frac{3}{4}$ -inch traces, @ \$41; 2 Collars, #117 Kipple, @ \$2.40; 5 Hitch Straps, #461 Kipple, @ 20 cts; Goods in Inv. A. H. B. Co., less sales, \$484.08; 1 #6 Tubular Hand Separator @ \$86.25.

Grain: Amount on hand, 430 bu. wheat, @ 84 cts.

Real Estate: The real property bought in B21 is valued at cost.

Expense: 5 months' rent prepaid, \$400. Stationery on hand, \$20.

Notes Receivable: 6 notes.

Accounts Receivable: One only.

Accounts Payable: Two only.

Enter the inventories and lists in pages 11 and 12 of inventory book.
Make a statement showing losses and gains, divided as agreed upon.

Close the ledger, carrying gains to partners as in statement.

Take a trial balance after closing.

Purchase a bank draft for your balance in the bank as shown by your books, giving a check in payment. (The bank will charge no exchange.)

Leave your Notes Receivable at the bank for collection. Request that when paid the proceeds be remitted to your firm by draft.

DIRECTIONS. You will now remove the books of this set and examine each page carefully to see that all has been done in correct form. If satisfactory, pin at back each of the three sets, write the usual heading at the top.

Make a neat package of your vouchers, and submit all for inspection.

EXERCISE XVI

INFORMATION # 140. It has been shown in #94 that the property pertaining to any accounts may be listed in inventories. The totals of these inventories are resources of the business, and when the accounts are closed, are entered (red ink) in the credit side, and carried (black ink) below the ruling to the debit side of the accounts to which they pertain. There are also **liability inventories**. These consist of items owed by the business, that have not been entered in the books. Among liability inventories are found Interest payable to others, Expense items due but not charged, as salaries unpaid, taxes unpaid, etc.

When an account having a liability inventory is closed, the liability inventory is entered in red ink in the debit side and carried below the ruling to the credit side of the account. Some accounts have both resource and liability inventories at the time of closing. Both are to be entered in the same account. The form here given illustrates the closing of an account having both kinds of inventories.

Interest & Discount									
Ted 5	20	5.98	541	Inventory	Closed	11016			
18	27	3016	15			26	5.81		
31	216	984	18			26	321		
{31 Inventory (Red)		2874	241			216	1446		
The above has not been carried				{31 Inventory (Red)		216	5.58		
				(Carrying out not entered)					
				31 Tax & Bank (Red)		216	3.542		
								12432	
Jan 1 Inventory (down)	2555	Jan 1 Inventory (down)	78344						

141. When making a statement of the business, add liability inventories to the debit footings of the accounts to which they pertain.

142. A business may be in such a condition that a financial statement will show greater total liabilities than total resources. When the liabilities exceed the resources, the firm is insolvent. In a case of insolvency it is impossible to pay all indebtedness out of the assets (resources) of the firm, because the former exceeds the latter.

143. When insolvent, a firm may wind up its affairs by going into

bankruptcy. The laws provide that a bankrupt may distribute all of his assets among his creditors, pro rata, and thus extinguish their claims against him. Bankruptcy may be entered into voluntarily by the insolvent person or he may be forced into bankruptcy by one or more of his creditors. In either case the court appoints a receiver who takes possession of his property and converts it into cash for the benefit of his creditors.

EXPLANATION. In this exercise, the student will make two statements of the business from partnership books. There are included in both statements resource and liability inventories. One of the statements will show the business in a solvent condition although sustaining a net loss. The other will exhibit an insolvent condition.

DIRECTIONS. Take a half sheet of journal paper. Head one side "Statement of Brown, Smith & Jones;" head the reverse side "Statement of Mason & Adamson." Complete the statement from the data. The ledger exhibits accounts as follows:

	Dr. \$	Cr. \$
John Brown, Partner.....	\$4,000.00
James Smith, Partner.....	" 800.00	" 5,000.00
Edward Jones, Partner.....	" 500.00	" 3,500.00
Cash	" 329.60	" "
Merchandise	" 12,431.80	" 5,291.64
Furniture & Fixtures.....	" 1,829.40	" "
Expense	" 3,291.80	" "
Commission	" "	" 584.92
Interest & Discount.....	" 788.90	" 129.62
Notes Payable	" "	" 5,691.40
Notes Receivable	" 477.20	" "
Accounts Payable	" "	" 2,560.00
Accounts Receivable	" 6,308.88	" "

Inventories: Mdse. (resource) \$7,281.39; Furn. & Fixt. (resource) \$1,525; Expense (resource) \$125.90, (liability) \$55.80; Int. & Disct. (liability) \$152.20. (Read Infor. #101.)

Losses and gains are to be divided equally among partners. Enter expense inventories twice on statement—on resource and on liability sides, as though pertaining to separate accounts.

From the data following make the Mason & Adamson statement:

	Dr. \$	Cr. \$
Frank Mason, Partner.....	\$2,000.00
Richard Adamson, Partner.....	" "	" 2,000.00
Cash	" 5.29	" "
Merchandise	" 15,291.80	" 7,692.89
Furniture & Fixtures.....	" 3,789.64	" "
Expense	" 2,219.87	" "
Commission	" "	" 469.00
Interest & Discount.....	" 524.80	" 159.60
Notes Payable	" "	" 6,581.40
Notes Receivable	" 1,329.47	" "
Accounts Payable	" "	" 5,158.00
Accounts Receivable	" 900.02	" "

Inventories: Mdse. (resource) \$5,420.69; Furn. & Fixt. (resource) \$2,800; Expense (resource) \$210; Int. & Disct. (liability) \$219.40. The total resources are to be deducted from total liabilities, showing as the result net insolvency. As before, the partners share gains and losses equally.

DIRECTIONS. When the two statements are complete, both in form and results, head and submit the work.

- QUESTIONS.**
1. Define the term liability inventory.
 2. How are liability inventories treated when closing a ledger account?
 3. To what footings of an account are liability inventories added?
 4. What is the condition of a business when the total liabilities exceed the total resources?
 5. Define the term assets.
 6. What is bankruptcy?
 7. How do voluntary and involuntary bankruptcy differ?
 8. In the hands of what public official are the affairs of a bankrupt placed?
 9. By whom is the receiver appointed?
 10. Does insolvency apply to a partnership as well as a sole proprietorship?

EXERCISE XVII

EXPLANATION. The journal entries of this exercise are not a connected record. They are transactions such as one would be likely to meet with more or less frequently. The student should take time to make clear memoranda as well as correct titles. This work is in the nature of an examination, hence spend the time necessary to do the work without personal assistance.

Use a double sheet of journal paper, and date the entries beginning March 1.

TRANSACTIONS. March 1. We have made settlement of John Adams' account. The balance due us was \$23.40, for which he delivered corn (Mdse.) at 60 cts. per bu.

2. There is due George Hedges \$75 for rent of store building for March. Pass this to his credit on account.

3. Joshua Collins pays us cash in settlement of his note for \$120 and 5 mo. interest at 6%.

4. Paid cash for freight on invoice of Mdse. received from Dale & Co., Chicago, \$58.20.

5. Charles Conrad, a customer, returns a sack of bran, which our clerk delivered thinking it to be a sack of sugar, for which we give credit as originally charged \$6.10.

6. Received of Henry Brunson 158 lb. live poultry at 9 cts., for which sold him 1 brl flour for \$8, and paid the difference in cash.

7. Paid by check to First National Bank our note for \$400, and three months' interest at 8%.

8. Received of Charles Adamson a new note in payment of his old note to us for \$368, and 9 mo. interest at 8%.

9. Walter Grossman, owing us \$158.70 on account, settled by delivering a horse (Live Stock) at \$110, and paying cash for the remainder of the amount.

10. Peter Myron, against whom we held a \$100 note, delivered 7 cords of wood (Expense account) @ \$5.50, which was indorsed on the note.

11. Collinswood & Co. send a cash draft for \$196 in payment of our bill of 3d for \$200, terms 2% 10 days.

12. We send Austin Hardware Co. a bank draft for their bill \$589.20 less 3%. Bank charges exchange 60 cts.
13. The bank reports that our draft for \$13.90 on Porter & Son has been paid and proceeds, after deduction of 25 cts. collection, has been placed to our credit.
14. Our 30-day draft on Martinek & Mills, on account, for \$392, has been returned to us accepted.
15. Sundry checks and drafts included in our bank deposit have been credited, less exchange 85 cts.
16. Drew a sight draft against our credit with Longman & Co. for \$359.16 and sent it to Pillings & Wood to apply on account.
17. The Illinois Steel Co. have drawn a draft at 90 days on us, on account, for \$1,396.43. We have accepted the draft.
18. Bought a typewriter for office use, paying cash \$95.
19. Sold A. N. Palmateer Mdse. per bill for \$75.80, receiving an accepted sight draft on H. M. Rollins & Co. for \$200.90. We paid cash for the difference after deducting \$1 discount on the draft.
20. Mersey & Allen have set fence posts around our farm charging \$145, for which we have given credit on book account.
21. Received an account sales from Gotch Commission Co. and check for proceeds of our shipment No. 17 to them \$49.28.
22. Closed consignment from J. S. Coffin No. 1. The entire credit on sales made was \$139.80. The charges prior to closing the account were \$3.29. Close the consignment account, allowing 5% commission on gross sales and remitting cash for the proceeds.
23. Received an account sales from Heinz & Slosser of our shipment No. 5. They placed the proceeds \$168.90 to our credit.
24. Closed consignment from Ballington Creamery Co. No. 1. Their credit on sales was \$269.50; Sundry charges to date, \$15.12; our commission 3%. Placed proceeds to credit of consignor subject to sight draft.
25. Discounted at bank note of Henry Preston our favor for \$149, receiving credit for the proceeds less \$3 discount.
26. Paid our \$1,000 loan at the bank, giving a check for the face of the note and 98 days interest at 6%.
27. Drew on The Stock Yards Commission Co. for \$2,000, on account, and cashed the draft receiving face less a collection charge of \$2.50.
28. Admitted Amos Young as a partner into the business giving him credit for his invested resources consisting of Mdse. per invty, \$1,650.12, Notes Rec. per list \$964.12, and Accounts Receivable per list, \$2,169.49.
29. By mutual consent of partners, John Ferguson withdrew from the business. We transferred to him in settlement of his interest in the business amounting to \$6,000, Notes Rec. per list, \$1,800, Accts. Rec. per list, \$2,400, and cash for the remainder.
30. Our account against George Armstrong for \$7.64 has been found to be absolutely worthless. Charge the balance to Loss and Gain.
31. Peter Cooley, who is endeavoring to avoid payment of his debts, has agreed to settle our balance of \$58.16 against him by paying cash \$3 and giving his note endorsed by Edward Flynn and Elmer Million for \$37, provided that he receive credit in full of account. Considering this proposition the most favorable to be had, the settlement was thus made. Make entry.

DIRECTIONS. After making heading, submit your work.

EXERCISE XVIII

INFORMATION # 144. Books having more than the ordinary two-column ruling are called **special column** books. Special columns are used in journal, cash book, sales books, ledgers and other books. One purpose of the bookkeeper in using special columns is to place certain entries of the same kind in one column which can be footed and the total posted instead of posting by items. The labor of posting, which occupies much time, can be very much reduced. For example, if on the credit side of a cash book there appear fifteen entries debiting Expense, a special "Expense" column can be added to the other columns into which all Expense debits can be carried. At posting time this column is footed, and the total posted to the debit of Expense. Thus one posting takes the place of fifteen postings with the result that labor and ledger space are reduced. The other principal reason for the use of special columns is that where special ledgers are used, the items posted to the special ledgers can be footed, and the total posted to the controlling account. (See Infor. #147 and 148. This important feature of bookkeeping is illustrated in Ex. XIX.)

#145. Where special columns are used, double sets of headlines are ruled which are divided by the vertical columns into divisions to contain the headings of the columns. A knowledge of when and how to use special columns is always of advantage to a bookkeeper. Since only the standard rulings can be purchased of general stationers, special books have to be made to order from copy furnished by the accountant.

EXPLANATION. In this exercise, the student will prepare a special column journal and write the headings. He will also rearrange a standard ruling into special ruling. The uses of the special columns will be explained in the following exercise.

DIRECTIONS. Take a sheet of writing paper and rule a three line heading across the top. One writing space below, rule a two-line heading. Rule vertical columns as spaced in the model. These vertical rulings will divide the headings into parts. Be careful not to run the vertical lines that separate given columns through the lower headline.

<i>Cash Paid</i>			<i>Cr.</i>
<i>Date</i>	<i>Job Titles</i>	<i>Explanation</i>	<i>July 1st 1/4 1/4 1/4 1/4 1/4 1/4</i>
<i>9/1 1/4 1/4 2</i>		<i>2</i>	<i>1/4 1/4 1/4 1/4 1/4 1/4</i>

<i>Four Column Journal</i>						
<i>Date</i>	<i>Job Titles</i>	<i>Explanation</i>	<i>Accr. Tax Dr. 1/4 1/4 1/4 1/4</i>	<i>Bank Accts Dr. 1/4 1/4 1/4 1/4</i>	<i>Bank Accts Cr. 1/4 1/4 1/4 1/4</i>	<i>Accr. Tax Cr. 1/4 1/4 1/4 1/4</i>
<i>1/1 1/4 1/4 2</i>		<i>1/2</i>	<i>1/4 1/4 1/4 1/4</i>	<i>1/4 1/4 1/4 1/4</i>	<i>1/4 1/4 1/4 1/4</i>	<i>1/4 1/4 1/4 1/4</i>

On the reverse side of the special column journal make a three column credit side of a cash book as shown in model.

NOTE.—The expressions "three-column cash book," "four-column journal," etc., refer to the number of money columns used.

Having completed the above, head the work journal at top, and submit for examination.

QUESTIONS. 1. What are special columns?

2. Name several books that may have special columns.

3. What two principal reasons for the use of special columns in books of original entry?

4. Describe the headlines used in special column books.

5. Why should a bookkeeper be able to rule special column books properly?

EXERCISE XIX

INFORMATION # 146. Certain accounts of the same kind called group accounts are conveniently placed under one title called the **group title**. The purpose of the group title is to show under one heading the combined relation to the business of certain similar accounts. The following are group accounts: Notes Receivable, which shows the total of notes owing to the business although each separate note may be a claim against a separate signer.

Notes Payable, which may include the firm's note indebtedness to several holders.

Accounts Receivable, a group title in the general ledger, used to represent the aggregate of all the accounts against others.

Accounts Payable, representing the aggregate of all the accounts owing others.

Shipments to (firm name), used as a general heading for all of the shipments made to a specified firm.

Consignments from (firm name), used to represent all of the separate consignments received from a certain firm.

C. O. D.'s used to represent all of the sales made subject to payment on delivery of the merchandise sold.

Suspense, used as a general title to represent all debits or credits that cannot be entered under their right titles until further information is gained; as, a receipt of cash through the mail without any writing to show the remitter's name.

Doubtful Accounts, a title for accounts owing the firm that have ceased to be perfectly good, and are transferred from the accounts receivable for special attention.

Stock Account, representing the holdings of the different investors in a joint stock company or corporation.

147. Group accounts are treated in two ways. In a smaller set of books, the group title is placed at the top, and each special title of the group is given one or more lines space below it. If only one line is used, the special title is placed in the explanatory space. When thus placed they are frequently numbered. (See Shipment and consignment accounts, page 73; C. O. D. account, page 99, etc.)

In a large set of books each group may be given a special ledger, or register that takes the place of a ledger. The aggregate of the accounts in any of these special ledgers is posted to the general ledger under the group title. A group account in the general ledger which represents the aggregate of accounts kept in a special ledger is called a **controlling account**, because the total of balances in the special book must equal the balance of the group account that controls it.

In many well kept sets of books, part of the group accounts are itemized in the general ledger and part of them are kept in special ledgers. Some of the books that are kept in separate covers, whose aggregate is represented by a controlling account in the general ledger are the note ledger or notes receivable and payable books, the sales ledger, the purchase ledger, the shipment ledger, the consignment ledger, the C. O. D. ledger, the ledger of doubtful accounts, the stock ledger, the depositor's or individual ledger (in a bank), etc.

148. Two-column books of original entry are used with one ledger as in Sets A. and B. When a general and one or more special ledgers are used, **special columns** must be added to the two columns in one or more of the ordinary books of original entry. A special column contains the items to be posted to a special ledger. The column is footed, and the total posted to the controlling account in the general ledger. Thus the balance of the controlling account equals the list of balances of the accounts in the special ledger that it controls. This proof of accuracy in posting is one of the most important safeguards in bookkeeping.

149. When a general ledger and special ledgers are kept, the trial balance is taken from the accounts in the general ledger. These accounts should balance without reference to the special ledgers. The lists of accounts in the special ledgers are compared with the controlling accounts in the general ledger, to verify the posting of the special ledgers.

INFORMATION #150. When merchandise is sold on condition that cash is to be paid when the delivery is made, the same is said to be a **C. O. D.** delivery.

When the delivery is made in the town where sold, a memo of the sale is entered, not posted; and after the goods are delivered and cash collected, the entry is made as a cash sale.

Express companies carry packages to all parts of the country, and if instructed by the shipper, will withhold delivery until the purchaser pays for the merchandise. The express company on payment returns the cash to the shipper.

Railroad companies do not undertake to collect for the shipper in this way. The same result is secured, by the shipper securing from the railroad a bill of lading which must be presented at the point of destination by the person who would receive the goods. The shipper then draws a draft on his customer, attaches the bill of lading to the draft and sends all for collection through a bank. If the customer pays the draft, he receives the bill of lading with it. The bill of lading presented at the freight office entitles him to the shipment.

151. C. O. D.'s by express or freight are subject to delays often running over weeks or even months. So it is necessary to keep a C. O. D. account with them in the sales ledger, so that the bookkeeper can urge pay-

ment in case of delay, or can arrange for a return of the merchandise if the customer fails to make payment.

On the debit side of the C. O. D. account is placed the date, name of customer, folio of salesbook and amount. When returns are received, the C. O. D. account is credited on the same line, opposite the debit entry. See model.

C. O. D.

1909											
Oct	5	Kelly Belmont	4		565						
	5	Ode Adams	4	-	3095	Oct 19	Ode Adams	22	x	3095	
	8	Chas. Colfax	4		5495						
	1	Ezra Helmer	4	-	4735	Oct. 25	Ezra Helmer	22	.	4735	

EXPLANATION. In this exercise, three ledgers will be kept—a general ledger, a purchase ledger, and a sales ledger. Special columns will be added to the books of original entry as needed to accommodate these ledgers. At the close of the month a trial balance will be taken. Lists of the two special ledgers will be taken and compared with the two controlling accounts.

DIRECTIONS. Take three half sheets of ledger, and page each 1 and 2. Head them General Ledger, Purchase Ledger, and Sales Ledger respectively. Enter in the general ledger the following accounts, allowing each one-fifth page: On page 1, Ezra Helmer, Prop., Merchandise, Expense, Furniture & Fixtures, and Loss & Gain; on page 2, Notes Receivable, Notes Payable, Accounts Receivable, and Accounts Payable.

When accounts are opened in the purchase and sales ledgers, allow each account one-fifth page.

Take a sheet of journal and page it 1 to 4. Use page 1 for purchase book, pages 2 and 3 for cash book, page 4 for sales book. In the cash book, rule second headlines one space below the headlines found there, and write in the debit side at head of the columns, "Date, Fol., Cr. Titles, Explanation, Accts. Rec. Cr., General Cr." On the credit side rule one extra column as in Ex. XVIII., and at the top write "Date, Fol., Dr. Titles, Explanation, Accts. Pay. Dr., Expense Dr., General Dr."

Rule and head a sheet of writing paper in four-column journal, as directed in Ex. XVIII. This will be the journal. Take one-half sheet of journal paper, page 1 for trial balances and page 2 statements.

TO THE STUDENT: More than one student who has completed a bookkeeping course, upon taking some minor position in a large office, has been discouraged in finding there books with ruled columns such as he never saw before. Such persons should remember that no accountant ever saw all of the rulings that are used in business houses. The different varieties of ruling books to accommodate different conditions run into the thousands. But it is possible for him to master any of these forms without hesitation if he will learn the few simple principles that govern all special ruling. The mastery of this exercise will do much toward making the subject of special columns clear. Do not hurry through it.

TRANSACTIONS. Oct. 1, 1909, Ezra Helmer opens a retail furniture and household supply store. He invests Cash \$3,364.04, Merchandise per inventory \$7,832.96, Accounts Receivable per list \$2,214.56, and Accounts Payable per list \$6,683.48.

Make opening entry in the journal, using the general debit and credit columns as in a two-column journal. Post the entries to the cash book (general column) and to the ledger.

The list of Accounts Receivable and Accounts Payable follows. They are balances due from customers on previous sale accounts, or due to firms on previous purchase accounts.

Special Column Journal

Date	Dr.	Title	Explanation	Cash Dr.	Bank Accts. Dr.	Bank Accts. Cr.	Accts. Rec. Cr.
Oct. 1	C	Cash	Ezra Helmer began	3,364.04			
	1	Merch.	at Furniture & H.	7,832.96			
	2	Accts. Rec.	H.H. Supply Co.	2,214.56			
	2	Accts. Pay.	in credit			6,683.48	
	2.	Ezra Helmer	Cash 3,364.04			6,718.08	
			Trade 7,832.96				
			Red Bal 2,214.56				
			6,683.48				
			6,718.08				
5	2	Notes Recd.	Recd Wm's 200		300		
	2	C.J. Maine	note on 4c				300
7	1	Trade	1 LR Table		24.60		
	1	H.H. Swanson	Returned 24.60				24.60
7	1	Trade	1 Library chair		4		
	1	Oscar Benson	short it				4
9	1	Harrisonville	dent our 60 day	25.44			
	2	Notes Pay.	note full 4c			25.44	
15	1	Long & Kappel	Goods ret'd	736.59			
	1	Trade	per bill			736.59	
31	2	Accts. Payable	All total		991		
	2	Accts. Receivable	Cr. total			928.60	
				14,731.16	14,731.16		

List of Accounts Receivable		List of Accounts Payable	
James Adams	\$ 597.40	Duhamel & Co.....	\$ 529.49
Oscar Benson	27.83	Earlham Mfg. Co.....	1,598.79
W. W. Davidson	140.80	The Hornellsville Co.....	15.71
Chas. Emery	95.88	Inman & Long.....	249.59
Isaac Garmore	492.62	Long & Hopper.....	3,589.64
C. T. Maine.....	521.88	Mass. Furn. Co.....	700.26
Owens & Co.....	44.16		
Rollins & Son.....	293.99	Total.....	\$6,683.48
Total.....	\$2,214.56		

Compare the total of the list of accounts receivable with the amount charged to that account in the general ledger. If correct, open accounts with each in the sales ledger and enter the balances to the debit of these accounts. Do not proceed until it is clear to you that the sum of the balances in the sales ledger equals the amount to the debit of Accounts Receivable in the general ledger.

Likewise, compare the total of the list of accounts payable with the balance of Accounts Payable account in the general ledger. If correct, open accounts with each in the purchase ledger. Before proceeding, observe that the sum of the balances in the purchase ledger equals the amount to the credit of Accounts Payable in the general ledger.

Take a trial balance of the general ledger and cash book and enter it at top of trial balance sheet.

Oct. 2. Paid for rent of store room to Nov. 1, \$80.

Enter as shown in the model, carrying the amount to the Expense Dr. column. It is not necessary to make any entry in the title column of the cash book, because no items will be posted from this column. The column will be footed and the total posted to the debit of Expense later. Check mark the folio column to show that this item is not to be posted.

Paid James Wiley for blank books for office use, \$32.90 (Expense).

Paid Allen Printing Co. for stationery, \$8.50.

Paid C. E. Jones, agent Columbian Fire Insurance Co., for insurance on stock of goods as on policy received, \$28.80.

Paid Nauman & Co.'s bill for furniture, \$88.70.

As the Furniture & Fixtures account has no special column, it will be necessary to enter the title in the title column and carry the amount to the general column. After you have done so, post to the general ledger.

Paid W. B. Doble's bill for general drayage, \$3.15 (Expense).

Paid Jones Scales Co. bill for furniture, \$40.29. (Post).

Paid Henry Minturn on wages account, \$5 (Expense).

Oct. 3. Paid Long & Hopper cash on account, \$500.

This is one of the accounts payable found in the purchase ledger. Carry the amount to the Accounts Payable column. Post to the purchase ledger all items in the accounts payable column.

Paid Earlham Mfg. Co. cash in full of account.

Oct. 4. Paid Duhamel & Co. cash on account, \$150.

Paid C. P. Colgrove, agent, for additional insurance in Boston Fire & Marine Ins. Co., \$14.40.

Oct. 5. Paid Nauman & Co. \$18.60 for an office chair, per bill.

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PROGRESSIVE BUSINESS ACCOUNTING

Cash Received

Dr.

Date	Job	Title	Explanation	Amount Recd. Cr.	Amount Accts Cr.
Oct. 1	8		Franklin, Ernest		
5	1	Charles Emery	full \$40	95.88	33640.44
	1	James Adams	on \$40	15	
	1	Isaac Garmore	"	100	
	1	Oscar Benson	"	10	
10	2	Notes Recd.	St. Ct. Maine		100
15	2	C.O.D.	Robert Adams	30.95	
23	2	C.O.D.	Fred Thornton	47.85	
31	2	Rollins & Son	on \$40	20.00	
	2	Accts Rec.	C. O. D. total	***	499.68
<hr/>					
Nov. 1			Balance		3965.12
					10945.59

Paid Mass. Furn. Co. cash on account, \$200.

Received cash from Charles Emery in full of account.

This is one of the accounts receivable and is found in the sales ledger. The amount paid should therefore be entered in the accounts receivable Cr. column of the cash book and then posted to Emery's credit.

Received cash of James Adams, to apply on account, \$15.

Received cash of Isaac Garmore on account, \$100.

Received of Oscar Benson cash on account, \$10.

Sold W. W. Davidson, on account, 1 china closet, quartered weathered oak, for \$21.90; 1/2 doz. dining chairs, golden oak, for \$18; 1 dining-room table for \$24.60; 2 ladies' rockers, \$3.45 and \$3.75; 1 wall set, \$20.90.

Enter in the sales book and post to the sales ledger.

Sold Oscar Benson, on account, 6 dining chairs @ \$4; 1 settee for \$12.80; 1 Schram patent rocker for \$21.25; 1 Princess dresser for \$13.75; 1 ladies' dressing table for \$15.65.

Shipped Harry Belmont, Hudson, Iowa, by W. F. & Co. express, C. O. D., one office chair for \$5.65. Post.

Review Infor. #150 and #151. Open C. O. D. account on page 2 of sales ledger.

Shipped Robert Adams, O'Neill, Neb., by U. S. and Am. Express, C. O. D.: 1 ladies' rocker for \$7.80; 1 library book case for \$14.70; 1 music cabinet \$8.45.

Shipped Rollins & Son, on account, by C. & N. W. Ry.: 1 large arm rocker for \$6.90; 1 porch settee for \$6.25; 1 chiffonier for \$22.20; 1 jardiniere stand for \$1.60; 1 library table for \$41.90.

*Cash Paid**Cr.*

Date	Sale Titles	Explanation	Auto Pay Dr.	Expense Dr.	Bank Accts. Dr.
Oct 2	-	Rent as Nov. 1.		80	
	-	J. Wiley for Books		3290	
-	-	Allen City Co.		850	
-	-	Clyde Jones, Gas		2880	
1	Burn & East	Nauman Co. Bill			8870
-	-	H.B. Dally, Scarves		315	
1	Burn & East	Dimes Dealer Co.			4029
-	-	H. Muntzard, Hages		5	
3	1	Long & Knapp's 1/2	500		
	1	Earlham Drift Co. full 1/2	1598.79		
4	1	Duhamel & Co. 1/2	150		
-	-	C.C. Colgrave Bros		1440	
5	1	Burn & East Nauman Co. Bill			1860
2	Mass. Burn Co. 1/2		200		
15	2	Notes Pay. At Hornellsville	100
31	2	Accrd. Pay. Dr. total			2448.79
	1	Expense Dr.			17275
31		Balance (RED)			109459
					396377

Oct. 8. Sent Charles Colfax, via Am. X. (American Express), C. O. D.: 1 office chair for \$5.45; 1 sideboard, quartered golden oak, for \$49.50.

Shipped Fred Thornton & Co., by C. B. & Q. Ry., C.O.D. (sight draft with bill of lading attached): 1 Steele Davenport for \$5; 1 portable wardrobe for \$14.10; 1 hall tree for \$15; 1 morris chair, weathered oak, for \$13.75.

Sold Charles Emery, on account, 1 typewriter chair for \$7.50; 1 ladies' writing desk for \$15.95; 1 mahogany pedestal for \$8.

Oct. 31. Sold Isaac Garmore, on account, 1 bedroom set for \$48.50; 1 leather couch for \$60.

The sales given represent the entire sales for the month. You may foot the sales book, dating the footing as Oct. 31. All entries on the sales book have been posted to the debit of certain accounts receivable in the sales ledger, therefore the total is a debit to Accounts Receivable, the controlling account in the general ledger. The total is also a credit to Merchandise. Show the debit and credit by a journal entry on the sales book as shown in the model, and post to the debit of Accounts Receivable and the credit of Merchandise into the general ledger. Notice how the debit and credit titles and post marks are placed when both titles appear on one line.

Oct. 7. Bought of The Hornellsburg Co., on account, Mdse. per Inv. #1, \$238.70.

Enter in purchase book and post to the purchase ledger.

Oct. 15. Bought of Duhamel & Co., on account, Mdse. per Inv. #2 \$58.26.

Oct. 18. Bought of Inman & Long, on account, Mdse. per Inv. #3. \$764.91.

8	2	Zed Thornton	C&G			
	C.O.P.	1 Steel Stove	po	5		
	V	1 Portable Wardrobe		1410		
		1 Hall Tree		15		
		1 Morris Chair - Leather Back		1575		
					4785	
	1	Chad Emery	cp			
		1 Typewriter Chair		750		
		1 Ladies Writing Desk		1595		
		1 Mahogany Pedestal		8		
					3145	
31	2	Glendalemore	cp			
		1 Bed Room Set		4850		
		1 Leather Couch		60		
					10850	
31	2	Accts Recd to Model				
					53825	

Oct. 31. Bought of Mass. Furniture Co., on account, Mdse. per Inv. #4, \$1,650.59.

The purchases given represent the entire purchases for the month. Foot the purchase book and date the footing Oct. 31. All entries in the purchase book have been posted to the credit of certain accounts payable in the purchase ledger, therefore the total is a credit to Accounts Payable the controlling account in the general ledger. The total is also a Merchandise debit. Make a journal entry on the purchase book, debiting Mdse., and crediting Accts. Pay., using the form given in the sales book, and post the two to the general ledger.

Oct. 5. Received C. T. Maine's 30-day note for \$300 to apply on account.

Enter in the journal, debiting Notes Receivable in the general column, and crediting C. T. Maine in the Accounts Receivable column. Post.

Oct. 7. We receive from W. W. Davidson a dining-room table which was sold to him subject to approval, and which he returns. Pass to his credit the price, \$24.60.

We allow credit for one library chair \$4, short in a sale to Oscar Benson.

Oct. 9. We send to The Hornellsville Co. our 60-day note for \$254.41 in full of account. (Debit The H. Co. in Accts. Pay. column of journal.)

Oct. 15. Returned to Long & Hopper, merchandise not of grade ordered, per bill rendered, \$736.59. (Journal.)

The above are the entire journal entries of the month. Foot the two special columns in pencil. The Accounts Payable column shows that items amounting to \$991 have been posted to the debit of different accounts in the purchase ledger, therefore the total is a debit to Accounts Payable, the controlling account in the general ledger. Carry the total into general debit column, as shown in model, and post.

Accounts Receivable shows that items amounting to \$328.60 have been posted to the credit of different accounts in the sales ledger, therefore the total is a credit to Accounts Receivable, the controlling account in the general ledger. Carry the total into the general credit column, as shown in the model, and post.

As a proof of correctness of entry, foot the general debit and credit columns of journal as shown in the model.

CASH BOOK. Oct. 10. Received cash from C. T. Maine in part payment of his note, \$100. (Enter in cash book, general column, because Notes Receivable account is found in the general ledger. Post.)

Oct. 15. Paid The Hornellsville Co. \$100 to apply on note due them. (Enter in general column. Why?)

The U. S. Express returns cash \$30.95 collected from Robert Adams in payment of C. O. D. on him Oct. 5. (Enter in Accounts Receivable column of cash book, as in model, and post to credit of C. O. D. account on the same line opposite the charge. Use X marks.)

Oct. 23. The bank credits \$47.85 our draft on Fred Thornton for shipment C. O. D. Oct. 10.

Oct. 31. Received cash of Rollins & Son, on account, \$200.

The above are the entire cash book entries of the month. Pencil foot the three special columns of the cash book. On the debit side you will note that \$499.68 has been posted to the credit of different accounts in the sales ledger, therefore the total is a credit to Accounts Receivable in the general ledger. Carry to the general column and post. See model. Likewise, the total of the Accounts Payable column of the credit side should be carried to the general column and posted to the controlling account.

The Expense column does not represent any special ledger. Carry the total to the general column, as in model, and post.

There remain the general debit and credit columns of the cash book. The credit footing taken from the debit footing shows the balance on hand. Enter the balance and rule cash; carry balance down.

THE GENERAL LEDGER. As all accounts are now posted, take a trial balance of the general ledger, including cash balance.

SPECIAL LEDGERS. Take a list of the ledger balances of the sales ledger, compare the total of this list with the balance of Accounts Receivable in the trial balance. They should agree. If they do not, locate the discrepancy. Take a list of the ledger balances of the purchase ledger, and compare the total of this list with Accounts Payable in the general ledger.

Copy these lists below the trial balance of Oct. 31.

STATEMENT. Make a statement of the business. (Taken from general ledger and inventories. The inventories are Merchandise \$9,584.30; Expense, \$50; Furniture & Fixtures, \$125.) Enter this statement on your statement sheet.

Close the ledger in accordance with the statement. Open Loss & Gain account at foot of page 1.

After closing the ledger, take a trial balance and record it below the statement already taken.

DIRECTIONS. After the above work is completed, arrange the rulings in the following order from the top downward: Journal, Purchase, Cash, Sales, General Ledger, Purchase Ledger, Sales Ledger, Trial Balances and Statement; head, pin together and submit for examination.

QUESTIONS. 1. What are group accounts?

2. Name ten group titles.

3. In what two ways are group titles treated?
4. What can you say of the ledger as used with two-column books of original entry?
5. When a general and special ledgers are used, what changes are made in books of original entry?
6. What items does a special column contain?
7. What can you say of the controlling account?
8. What three ways of collecting on delivery are mentioned?
9. Describe the C. O. D. account.
10. When special ledgers are kept, from what book or books is the trial balance taken?
11. How is the posting of the special ledger proven?
12. How many ledgers were kept in Ex. XIX.?
13. Describe the journal used.
14. Describe the cash book used.
15. How are special columns carried to general columns at posting time?

EXERCISE XX

INFORMATION # 152. Many business concerns are organized in the form of private **corporations**. A corporation is an organization of a number of persons empowered by state authority to transact business as one person. It is called a private corporation when it is organized for the purpose of conducting business enterprises for gain to its members. The investment (**capital stock**) is divided into shares of equal value. These shares may be bought and sold. A person becomes a part owner of the business (**stock holder**) by buying one or more of these shares. The number of shares held by a person is the measure of one's interest in the company. A person may become a stockholder and afterward dispose of his stock without legally affecting the corporation. Very often one person is a stockholder in many different corporations.

153. The interest of the stockholders in the business is shown in the **stock ledger**. This is a special ledger, in which each stockholder has an account showing to his credit the number of shares held by him and their par value. A list of all of the balances in the stock ledger should equal the balance of **Capital Stock**, the controlling account in the general ledger, if all shares are issued. If some shares are not issued, this list should equal the Capital Stock credit diminished by the shares still held by the company.

154. The general books of a corporation are arranged with reference to the business to be transacted as they would be in a sole proprietorship or a partnership. However, some accounts in the general ledger are usual to corporation bookkeeping. Among them are:

Capital Stock, which represents the entire authorized investment in the business, and takes the place of proprietor's or partners' accounts.

Unsubscribed Stock, which represents any part of the capital stock before it is taken by stockholders.

Treasury Stock, which represents stock of the company which has been acquired from stockholders, and is held for sale.

Subscription, which represents the aggregate amount which stockholders have contracted to pay for their stock, but which has not been collected by the officers of the company. It is the controlling account of the **installment**

ledger, which contains in detail the accounts with the subscribers.

Dividends, an account to which that part of the net gain is carried that is to be paid to stockholders as their dividend or divided profit.

Dividends is a group account, as under it may be credited dividend No. 1, No. 2, etc. When the stockholders are paid, the account is debited.

Surplus, an account to which is posted that part of the net gain that is to be kept in the business as additional capital.

Undivided Profits. To this account is posted the net gain as a credit. It is charged with the part posted to Dividends, Surplus, or other accounts. The remaining balance, if any, is open to any other disposition at any time.

155. Although the stock ledger and installment ledger are special ledgers, there are commonly no special columns in the journal and cash book for items posted to them, because as a rule the stock records are comparatively few and are mostly completed within a few pages at the beginning of the business. Where entries for the stock or installment ledgers are made in the general books, they are **short extended**, that is, written in the explanatory space for posting to the special ledger, while the corresponding amount to be carried to the general ledger is extended to the money column.

156. When a person becomes a stock subscriber, the voucher for his subscription is the **subscription list** which he has signed; when he pays a part of his subscription, an **installment receipt** is issued and the book record is made from the stub of the installment receipt book; when the stock is paid for in full, a **stock certificate** is issued and the record is made from the stub of the stock certificate book. These forms will be taken up in Set C.

157. The business of a corporation is carried on by officers who are elected by the stockholders to represent them. Commonly there are elected a president, a secretary, and a treasurer. These or any other officers that may be elected are responsible to the stockholders for their official acts.

Stock Ledger

			Kellett, Goss			
			Mar 15 5 shares cert.		500	
			June 1 10 " " 5		1000	
May 15	Treasury	cs	Hallinan, Republic			
			5000	May 15 50 shares cert.	5000	

Installment Ledger

			McRedden			
Mar 1	100 shares Subscribed	1	Mar 10 1st Instalment	cs	5000	
			Apr 8 2nd "	cs	2500	
			30 Instalment	cs	2500	
			10000		10000	
Mar 1	50 shares Subscribed	8	Hallinan, Republic			
			Mar 8 1st Instalment	cs	2500	
			Apr 30 Instalment	cs	2500	
			5000		5000	

EXPLANATION. In this exercise, entries requiring the use of the stock and installment ledgers will be made and the lists of these two special ledgers will be checked with their controlling accounts. The purpose is to show their use and relation. Later, closing entries will be made in Loss & Gain, Undivided Profits, Dividends, and Surplus accounts.

DIRECTIONS. Take two half sheets of ledger. Use one for general ledger, entering on page 1 the four accounts, Capital Stock, Unsubscribed Stock, Treasury Stock, Subscription. Enter on page 2, Dividends, Surplus, Undivided Profits, Loss & Gain. Head page 1 of the other sheet Stock Ledger, and page 2 Installment Ledger.

Use a folded sheet of journal paper; page 1 for journal, pages 2 and 3 for cash book, page 4 for special ledger lists.

TRANSACTIONS. Mar. 1. The incorporators of the Wheaton Milling Co., having complied with the legal requirements pertaining to the formation of corporations, are authorized to solicit subscriptions and transact other business as a corporation with a capital stock of \$100,000.

A stock subscription list has been opened. It contains the names of the following persons, who agree to pay for the number of shares set opposite their names. The payments are to be made as called by the board of directors.

Stanton Cutler.....	300	shares, each \$100 par value,	\$30,000
Harvey Wester	200	" " "	20,000
M. E. Reddin	100	" " "	10,000
Marcella Kline	100	" " "	10,000
Wm. Reupke	50	" " "	5,000
C. E. Quintrell.....	50	" " "	5,000

The subscriptions amount to \$80,000 of the \$100,000 authorized capital stock.

Make a journal entry debiting Subscription \$80,000. (Subscription represents claims against persons for stock.) Debit Unsubscribed Stock \$20,000. (This is the account receiving the remainder of the capital stock.) Credit Capital Stock \$100,000. (This is the giving account and represents the entire liability of stockholders.) See model entry in journal.

Post the three general titles to the general ledger. Debit each subscriber in the installment ledger, allowing five lines to each account. Indicate the posting by a check mark as in model. Observe that the payment for the stock assumed by the subscribers is to be collected from this ledger. If their stock were paid in full at once, this ledger would not be needed.

In the Stock ledger, each stockholder has an account, in which he is credited with the number and par value of the shares held. Posting is done to the stock ledger from the subscription list and afterward from the stubs of the stock certificate book.

Open an account with each subscriber and from the list given in the text book carry the credit to the respective accounts, allowing four lines to each.

The stock certificates are not issued until fully paid. The certificate numbers are not to be entered in the ledger until certificates are issued. The credit thus made is conditional upon payment of the account against the subscriber in the installment ledger.

Journal of The Wheaton Milling Co.

1910	May 1	The Wheaton Milling Co (a corporation) began business this day with authorized Capital Stock \$100,000 of which there has been subscribed \$80,000 as per list below. The remaining \$20,000 has been placed in Unsubscribed Stock.	Subscribers:			
		Subscription	S. Cutler (500) 30000	80000		
		Unsubscribed Stock	H. Wester (200) 20000	20000		
		Capital Stock	M. Reddin 10000			100000
			M. Kline 10000			
			Wm. Reupke 5000			
			C. E. Quintrell 5000			
				\$0 000		

Mar. 2. The following persons have been added to the subscription list: Walter Sitts, 50 shares, \$5,000; Velora Gingrich, 40 shares, \$4,000.

Enter in journal, debiting Subscription, and crediting Unsubscribed Stock. Open two accounts in the installment ledger, and post.

Make entries in stock ledger.

INFORMATION # 158. When subscriptions are paid in **installments** (part payments), all subscribers are called upon to pay a given per cent of their subscription on a given date. Successive assessments are made as the board of directors determine, until the entire 100% is paid in. When several installments are called, they are referred to by number, as first installment, second installment, etc.

TRANSACTIONS. Mar. 5. An assessment of 50% of the subscribed stock is ordered to be paid on or before Mar. 10.

Mar. 8. Received cash for the first installment on subscription account from Stanton Cutler, 50% of 300 shares, \$15,000; Wm. Reupke, \$2,500.

Enter the entire amount in the cash book to the credit of Subscription. Short extend the credits to the installment ledger (see model). Post.

Mar. 10. Received cash in full of first installments of C. E. Quintrell, Marcella Kline, Velora Gingrich, and M. E. Reddin. (Enter and post as before.)

Mar. 11. Received cash in full of first installment of the remaining subscribers. (Enter and post.)

Mar. 15. Received cash of Herbert Ross in full for five shares of the unsubscribed stock, \$500. Issued to him stock certificate No. 1, which certifies that he is the owner of said shares.

Enter in cash book to the credit of Unsubscribed Stock in the general ledger, and of Herbert Ross in the stock ledger. Post the certificate number in the explanatory space of stock ledger. The number indicates that the stock credit has been fully paid.

Sold R. A. Gardner eight shares of unsubscribed stock, receiving cash at par, \$800. Stock certificate No. 2 has been issued.

<i>Cash Received</i>				<i>Dr.</i>
1910				
May 8	1	Subscription Stanton Cutler 1st. 15000. Wm Reupke - 2000		17500
	1	Bills Rec'd C. M. Juddson 200		
	15	Interest & Divs. " " 460		--
	10	Subscription C. E. Quintrell 1st. 2500. Marcella Kline - 5000. Velora Gingrich 2000. M. E. Reddin - 5000		14500
	27	John Adams 40		140

April 1. A second installment of 25%, to be paid on or before April 10, has been assessed against the subscribers.

April 8. M. E. Reddin, C. E. Quintrell, Walter Sitts, and Velora Gingrich have paid their second installment in cash. Enter and post.

April 15. Stanton Cutler, Harvey Wester and Marcella Kline have paid their second installments in cash.

April 30. M. E. Reddin and Wm. Reupke have paid the remainder of their subscription in full. There have been issued to M. E. Reddin stock certificate No. 3 for 100 shares, fully paid, and to Wm. Reupke stock certificate No. 4 for 50 shares, fully paid up.

After posting these credits, rule the accounts in the installment ledger that balance. Transfer the certificate numbers to the stock ledger.

May 25. William Reupke offers his stock for sale. As he would probably sell it to a person who would be an undesirable stockholder, the company buys back the stock, paying cash for it at par. It is to be held as Treasury Stock until disposed of to some other person. Enter in cash book, debiting Treasury Stock in the general ledger and Wm. Reupke's account in the stock ledger. Rule the latter account.

The student will see that a list of the credits in the stock ledger should equal not the Capital Stock credit in the general ledger, but it should equal the Capital Stock credit diminished by the debit balances of Unsubscribed Stock and Treasury Stock. In other words, these three accounts combined give the controlling balance of the stock ledger. The question may be asked, why not credit Capital Stock with only the amounts actually subscribed or paid for and thus make its balance equal to the credits of the stock ledger? The objection to crediting the entire amount is that the entire Capital Stock is a legal liability which cannot be off-set by any shares in the hands of the company. For this reason the authorized capital should appear in full as a liability in the general ledger.

June 5. Sold ten shares of the treasury stock to Herbert Ross for cash, \$1,000. Issued to him stock certificate No. 5 for the amount. (Credit Treasury Stock and Herbert Ross Stock account.)

June 15. The company has taken M. E. Reddin's entire stock holding, paying cash at par.

INFORMATION # 159. The transfer of stock from one holder to another is recorded in the certificate of transfer book and from that posted to the debit of the seller's stock account and to the credit of the buyer's

Cash Paid			Cr.
1910			
May 25	1	Treasury Stock bought of Wm. Pepple & Co. Cred.	500
June 30	2	Dividend #1, Stanton Custer	1500
	2	Harvey Westel	1000
	2	Marcella Kline	500

stock account. Such entries have no effect upon any account in the general ledger, and for that reason are not considered here.

June 30. The student will now make a list of the accounts in the stock ledger and their credits. Record it on the fourth page of the journal ruled paper. Does the total equal the Capital Stock account diminished by the sum of the balances of Unsubscribed Stock and Treasury Stock?

The student will now record on the same page a list of balances from the installment ledger. Does it equal the balance of Subscription account in the general ledger?

If both lists prove, this portion of the exercise may be considered complete.

EXPLANATION. The student will now take up a representative closing of a corporation ledger. Suppose that the commercial accounts have been active and that the results given below have been taken from ledger accounts that have been closed in regular form. The Loss & Gain account is to be completed and the net gain disposed of.

TRANSACTIONS. June 30. The commercial accounts show gains or losses to be carried to Loss & Gain account as follows: Mdse., gain \$15,871.40; Expense, loss \$2,581.60; Machinery & Tools, loss \$1,621.49; Interest & Discount, loss \$379.46; Commission, gain \$169.70.

Carry these to Loss & Gain account.

Close the Loss & Gain account into Undivided Profits.

The directors have decided to pay a cash dividend of 5% and to carry \$5,000 of the profits to surplus account, and to leave the remainder stand in Undivided Profits account until some future action is taken in regard to it.

Post 5% of the total credits shown on the Stock ledger from Undivided Profits to the credit of Dividends account, using the explanation Dividend No. 1.

Post \$5,000 from Undivided Profits to the credit of Surplus account.

Balance Undivided Profits, rule and carry the balance down under date July 1.

Enter in cash book checks made out in favor of each stockholder in payment of his dividend. Charge dividend No. 1 and itemize, using the name of the person in whose favor the check is drawn. Post these checks to Dividends account.

Dividend No. 1 should now be in balance; rule it.

DIRECTIONS. Head each sheet as usual, pin them in this order: Journal, cash book, lists, general ledger, stock ledger, installment ledger, and submit for inspection.

- QUESTIONS.**
1. What is a corporation?
 2. What is a private corporation?
 3. What is the capital stock?
 4. What are shares of stock?
 5. How does a person become a stockholder?
 6. May stock in a corporation be bought and sold?
 7. What is the stock ledger? How used?
 8. A list of the stock ledger accounts should equal what accounts in the general ledger?
 9. Are the business or operating books of a corporation necessarily different from those of any other similar concern?
 10. Name seven general accounts usual to corporations.
 11. Give the use of the following accounts: Capital Stock, Unsubscribed Stock, Treasury Stock, Subscription, Dividends, Surplus, Undivided Profits.
 12. Why are special columns not used in the journal and cash book for the stock and installment ledgers?
 13. Explain the use of the subscription list, the installment receipt book, the stock certificate book.
 14. What persons transact the business of a corporation?
 15. How are the officers chosen?
 16. What is the purpose of this exercise?
 17. Describe an account in the stock ledger.
 18. Describe an account in the installment ledger.
 19. What is meant by a stock assessment?
 20. How is the transfer of stock from one holder to another posted?
 21. Does such transfer have any effect on the general books?
 22. Into what account is Loss & Gain closed?
 23. Name two accounts into which Undivided Profits may be carried.
 24. How is dividends account closed?
 25. Name five corporations doing business in your community.

SET C

BUSINESS PRACTICE

EXPLANATION. You are to open a mercantile business which will be conducted as a corporation. It will be your work to take charge of the secretary's records as well as the books of the company. You will be the manager of the company and carry out all of its business transactions. The books will be arranged with a general and special ledgers and with special columns in the books of original entry similar to those in Ex. XIX. The corporation accounts explained in Ex. XX. will be used in the general ledger in addition to the operating accounts. Thus the books and rulings will illustrate the opening, operation, and closing records of a corporation.

DIRECTIONS. Page your ledger 1 to 14 as in previous sets. This book will really consist of five ledgers, which are to be treated as though in five separate covers. In the upper left corner of pages 1 to 6 write "General Ledger;" pages 7 and 8, write "Stock Ledger;" pages 9 and 10, "Installment Ledger;" pages 11 and 12, "Purchase Ledger;" pages 13 and 14, "Sales Ledger."

On page 1 of the general ledger enter the titles, Capital Stock 6 lines, Unsubscribed Stock 15 lines, Treasury Stock the remainder of page; page 2, Subscription one-half page; Accounts Receivable, Accounts Payable, Notes Receivable, Notes Payable, Merchandise, Furniture & Fixtures, Expense, each one-fourth page; and other general accounts one-fourth page each as opened.

Give all accounts in the special ledgers one-fifth page each.

Books of entry: Use one cover for purchase pages 1 to 7; Notes Receivable and Payable, pages 8 and 9; Sales, pages 10 to 16.

Use the third cover for journal, cash book, trial balances, inventories, statements, and secretary's minute book.

TRANSACTIONS. C 1. Organize The (Student's Name) Mercantile Company, a corporation. Five persons will be the incorporators. The authorized Capital Stock of the corporation will be \$25,000, to be paid in installments as provided later. The purpose is to conduct a dry goods business.

You may now promote the company in the following manner:

First Step. Write a subscription agreement. This agreement is to be signed by the persons who will take stock in the company. It is a contract by which those signing can be compelled legally to pay for the amount of stock subscribed after the steps of organization required by the state laws are complied with. The form is given below:

SUBSCRIPTION AGREEMENT

We, the undersigned, having associated ourselves together for the purpose of organizing a corporation for buying and selling merchandise and otherwise transacting a general merchandising business under the laws of the state of Iowa, do declare as follows:

1. The corporate name of this association shall be The _____ Mercantile Company.
2. The principal place of business of The _____ Mercantile Company shall be _____, _____.

3. The authorized capital stock of the _____ Mercantile Company shall be Twenty-five Thousand Dollars (\$25,000), which shall be divided into shares of One Hundred Dollars (\$100) each.

4. The names and residences of the shareholders of this corporation, with the number and par value of shares to be held by each, are as follows:

Name	Residence	Number of Shares	Par Value
John Manning.....	Des Moines, Iowa.....	One Hundred Shares.....	\$10,000
E. E. Clermont.....	Waterloo, Iowa.....	Fifty Shares	5,000
Burle Van Kleek.....	Boston, Mass.....	Ten Shares	1,000
Walter A. Gerrabrant ..	Ottumwa, Iowa	Twenty Shares	2,000
George Sherrill.....	Oelwein, Iowa	Five Shares	500

When the above subscription agreement is properly filled, enter your name as subscriber for 100 shares and secure the signatures of the remaining incorporators: E. E. Clermont, 50 shares; Burle Van Kleek, 10 shares; Walter A. Gerrabrant, 20 shares; George Sherrill, 5 shares.

Second Step. Call a meeting of the above five subscribers for the purpose of organization and adoption of Articles of Incorporation. In this meeting the business to be transacted is assumed to be completed as in the minutes given below, which complete and copy in the minute book, using the current date and the appropriate names.

MINUTES OF THE PROMOTERS OF THE _____ MERCANTILE COMPANY

_____, Oct. 2, 19—

At a meeting held on the above date by the promoters of The _____ Mercantile Company, there were present _____, E. E. Clermont, Burle Van Kleek, Walter A. Gerrabrant, and George Sherrill.

On motion of Gerrabrant, seconded by Sherrill, E. E. Clermont was unanimously elected Chairman, and _____ was elected secretary.

After discussion relative to the proposed articles of incorporation, the following motion by Van Kleek, seconded by Sherrill, was unanimously carried:

"Moved, that the secretary be instructed to prepare articles of incorporation of The _____ Mercantile Company in conformity with the expressions of this meeting." Meeting adjourned to meet Oct. 4th, 19—.

_____, Secretary.

Third Step. Prepare articles of incorporation, making any changes or additions necessary, in the following form:

ARTICLES OF INCORPORATION FOR THE _____ MERCANTILE CO.

We, the undersigned, do by these presents associate ourselves together under and by virtue of chapter one, title nine, of the Code of Iowa, and the laws amendatory thereto and do adopt the following articles of incorporation:

ARTICLE I.

The name of this corporation shall be The _____ Mercantile Company, and its principal place of business shall be _____, _____. The general nature of its business shall be the purchase and sale of merchandise and such other business as shall be contributory thereto.

ARTICLE II.

The corporation shall commence business on the _____ day of _____ A. D. 19_____, and shall continue twenty years, with right of renewal unless sooner dissolved by a three-fourths vote of all stock subscribed at a stockholders' meeting. The capital stock authorized shall be Twenty-five Thousand Dollars, and all stock subscribed shall be payable at the call of the board of directors.

ARTICLE III.

The affairs of the corporation shall be conducted by a board of five directors, who shall hold their offices one year, and until their successors are elected and qualified.

Said directors shall elect a president, and a secretary and treasurer, who shall hold offices one year, and until their successors are elected and qualified.

ARTICLE IV.

The election of the directors of this corporation shall be held at the office of the secretary in _____, _____, on the first Tuesday of _____, 19_____, and annually thereafter. At all elections and meetings of stockholders, each stockholder shall be entitled to one vote for each share of stock held by him, which vote may be cast in person or by proxy. Ten days' notice shall be given of all called or special meetings of stockholders.

ARTICLE V.

The directors of this corporation until the first regular election shall be _____, E. E. Clermont, Burle Van Kleek, Walter A. Gerrabrant, and George Sherrill, who shall at their first meeting elect a president and a secretary and treasurer.

ARTICLE VI.

The private property of the members of this corporation shall be exempt from the debts of this corporation.

ARTICLE VII.

The indebtedness of this corporation shall not at any time exceed Sixteen Thousand Dollars.

ARTICLE VIII.

No alteration or amendment to these articles of incorporation shall be made unless the same be adopted by the majority stock present at a meeting of the stockholders called for that purpose.

Signatures:

.....
.....
.....
.....

State of _____)
)ss.
County of _____)

On this _____ day of _____ A. D. 19_____, before me personally appeared _____, E. E. Clermont, Burle Van Kleek, Walter A. Gerrabrant, and George Sherrill, to me known to be the persons named in and who executed the foregoing instrument, and acknowledged that they executed the same as their voluntary act and deed.

[SEAL.]

Notary Public.

The second meeting of the promoters held _____ transacts business as per secretary's minutes below, which copy in minute book. _____, Oct. 4, 19_____. _____

At a second meeting of the promoters of The _____ Mercantile Co., held at the office of _____, there were present _____, E. E. Clermont, Burle Van Kleek, Walter A. Gerrabrant, and George Sherrill. The chairman called upon the secretary for a reading of the minutes of the previous meeting, which were read and approved.

The secretary then read the articles of incorporation prepared by him as directed in the previous meeting, a copy of which is here given in full. (Here copy the articles of incorporation complete.)

Moved by _____, Clermont seconding, that these articles be adopted. After discussion, the motion was unanimously carried and the articles were adopted as the articles of incorporation of this association. (Secure the signature of each promoter to the instrument and have same acknowledged by a notary public.)

On motion of Van Kleek, seconded by Gerrabrant, the secretary is instructed to file the articles of incorporation for record with the county recorder, prepare a notice of incorporation for publication in a local newspaper, as required by statute, and take all other necessary steps for the completion of the incorporation.

Meeting adjourned on call of the president.

_____, Secretary.

Fourth Step. Prepare a notice of incorporation for publication, as directed in the following form:

NOTICE OF INCORPORATION.

To Whom It May Concern:

Notice is hereby given that the undersigned have associated themselves together as a corporation, under and by virtue of chapter one, title nine, of the Code of Iowa, and the laws amendatory thereto, as a corporation, and have adopted articles of incorporation which provide as follows, to-wit:

1. The name of the corporation is "The _____ Mercantile Company," and its principal place of transacting business is _____.
2. The general nature of the business to be transacted by said corporation is the purchase and sale of merchandise, and such other business as may be contributory thereto.
3. The amount of the capital stock authorized by the articles of incorporation is Twenty-five Thousand Dollars, which is to be paid in at call of the board of directors without condition.
4. That the said corporation shall commence business on the _____ day of _____ A. D. 19_____, and continue for twenty years with right of renewal.
5. The affairs of this corporation are to be conducted by five directors, who are to be elected on the first Tuesday of _____ annually, at which election each stockholder shall be entitled to one vote for each share of stock owned, which vote may be cast in person or by proxy; and until such election, to be held in _____, 19_____, the following named persons, _____, E. E. Clermont, Burle Van Kleek, Walter A. Gerrabrant, and George Sherrill, shall be directors of said corporation; and the directors at the first meeting in each year shall elect from their own number a president, and a secretary and treasurer, who shall hold their office during the pleasure of said board.
6. That the highest amount of indebtedness to which said corporation shall at any time subject itself shall not exceed Sixteen Thousand Dollars.
7. That the private property of the members of such corporation shall be exempt from the debts of said corporation.

Signatures of Incorporators:

.....
.....
.....
.....

Fifth Step. File the articles of incorporation with the county recorder, paying a filing fee of \$1.20. Order the publication of the articles of incorporation in a local paper and pay for same \$4.50. After record by the county recorder, send the articles of incorporation with a state recording fee of \$40, by draft (exchange 10 cents), to the secretary of state, with a letter stating that the articles of incorporation are sent for record and that the statutory fee is enclosed.

This cash paid from your private funds must be carefully entered in a bill which you will present for payment as soon as the corporation has funds to pay it.

Sixth Step. Receive from the secretary of state the Certificate of Incorporation. You are now entitled to commence business as a corporation. A meeting of the board of directors may now be called for the purpose of deciding the amount of the first installment on stock subscription.

Seventh Step. Enter in your minute book the record of a meeting of the directors in which the following business is transacted:

1. The minutes of the previous meeting are read and approved.
2. George Sherrill is elected president, and Student, secretary and treasurer.

3. The secretary and treasurer is instructed to take full charge of the business of the corporation and conduct the same as ordinarily conducted, for which service he is to receive a salary of \$250 per month.

4. A call of 25 per cent of the capital stock is to be paid by the stock subscribers.

C2. Opening Entries: Enter in the journal, as directed in Ex. XX., the opening stock accounts, debiting Subscription and Unsubscribed Stock and crediting Capital Stock. Post to the general ledger.

Open accounts with each subscriber in the installment ledger, and post. Index the accounts like the following: "Manning, J. Instal. a/c," etc. Open accounts with each signer of the stock subscription agreement in the stock ledger and credit these accounts with the par value of their shares. Index such accounts like the following: "Manning, J. Stock a/c," etc.

C3. Collect cash of E. E. Clermont, Walter A. Gerrabrant, and George Sherrill for their first installments of 25 per cent.

Write for each installment receipts as per form below; secure signatures on stub and deliver the receipts when the cash is paid; enter in cash book, and post to general and installment ledgers.

INSTALLMENT CERTIFICATE		Amount, \$1250	50 Shares
No. 1	Oct. 2, 1909	INSTALLMENT CERTIFICATE NO. 1	
Installment No. 1		ISSUED BY	
Per Cent .25		The Manning Mercantile Company	
No. of Shares 50		Chicago	Oct. 2, 1909
Amount, \$1250		THIS CERTIFIES That E. E. Clermont	
Received the attached Certificate	E. Clermont	has to his credit in the treasury of this Company the sum of	
		Twelve hundred fifty DOLLARS,	
		the same being the 1st installment of 25 per cent of 50 shares due Oct. 2, 1909	
This Certificate is transferable only on the books of this Company, upon surrender of same by the holder or his lawful representative.			
IN EVIDENCE WHEREOF we have duly affixed our signatures and the corporate seal			
(SEAL) John Manning, Secretary.		George Sherrill, President.	

C4. Deposit the cash received to the credit of The —— Mercantile Co., and leave your signature of firm name by your name, Treasurer.

C5. Present your personally received bill for cash expended in the organization of the corporation.

Write a check, signing it "The —— Mercantile Company, by —— Treas.," in favor of yourself personally which you are to receive as payment.

Mark the bill "Voucher #1" and place in vouchers paid file.

C6. Enter by items in the purchase book a purchase from Burle Van Kleek of the following stock of goods and post the amount to his credit in the purchase ledger: 1 pc. Suiting, 33 $\frac{1}{2}$ yd. @ 75c; 3 pc. Swiss, 172 yd. @ 7c; 3 pc. Swiss, 186 $\frac{1}{4}$ yd. @ 7c; 5 pc. Swiss, 237 $\frac{1}{2}$ yd. @ 7c; 5 pc. Swiss, 267 $\frac{3}{4}$ yd. @ 7c; 30 pc. Brown Crash AA, 1,200 yd. @ 6 $\frac{1}{2}$ c; 25 pc. Brown Crash AE, 1,900 yd. @ 7 $\frac{1}{4}$ c; 20 pc. Brown Crash BB, 800 yd. @ 8c; 6 pc. Cream Cord, 206 $\frac{1}{8}$ yd. @ 25c; 11 pc. Suiting, 361 $\frac{7}{8}$ yd. @ 27 $\frac{1}{2}$ c; 5 pc. Suiting, 204 $\frac{1}{2}$ yd. @ 12 $\frac{1}{2}$ c; 31 pc. Wash Goods, 1,026 $\frac{3}{4}$ yd. @ 5 $\frac{7}{8}$ c; 2 pc. Jamestown Suitings, 48 $\frac{3}{4}$ yd. @ 85c; 3 pc. Jamestown Suitings, 76 yd. @ 70c; 6 pc. Jamestown Suitings, 152 yd. @ 72 $\frac{1}{2}$ c; 20 $\frac{1}{2}$ doz. Hose #503, per doz., \$2.10; 3 $\frac{1}{2}$ doz. Hose #505 per doz. \$2.10; 7 doz. Hose #226 per doz.

\$1.50; $\frac{1}{2}$ doz. Hose #857 per doz. \$3.05; $1\frac{1}{2}$ doz. Hose #859, per doz. \$2.75; $3\frac{1}{4}$ doz. R. G. Corsets #671 per doz. \$8.50; $1/3$ doz. R. G. Corsets #290, per doz. \$24; $11/12$ doz. R. G. Corsets #440, per doz. \$12; $2-5/12$ doz. R. G. Corsets #661, per doz. \$8.50; $1/3$ doz. R. G. Corsets #906, per doz. \$8.50; $3-5/12$ doz. R. G. Corsets #663, per doz. \$8.50; 3 Empire Skirts #515 @ \$4.50; 3 Emp. Skirts #521 @ \$5.50; 3 Emp. Skirts #407 @ \$4.50; 3 Emp. Skirts #248 @ \$6.50; 2 Emp. Skirts #501 @ \$4; 1 Emp. Skirt #417 @ \$9; 6 Emp. Skirts #523 @ \$2.50; 328 doz. J. & P. Coats Thread, per doz. 55c; 15 bx. Crawford's Linen Floss, per box, 67c; 60 Sheets 72x90 "Pepp." @ $43\frac{3}{4}$ c; 120 Pillow Cases 45x36 "Star" @ 8c; 120 P. Cases 42x36 Star @ $7\frac{3}{4}$ c; 60 P. Cases 42x36 "Fearless" @ $8\frac{3}{4}$ c; 24 P. Cases 42x36 "Clio" @ $11\frac{3}{4}$ c; 60 P. Cases 45x36 "Gold Medal" @ $15\frac{1}{2}$ c; 25 doz. Napkins 18x18, per doz. $34\frac{1}{2}$ c; 41 pc. Figured Vienna Silkaline, 2,119 $\frac{1}{4}$ yd. @ $7\frac{1}{2}$ c; 7 pc. Plain V. Silkaline, 345 $\frac{1}{4}$ yd. @ 6c; 16 pc. French Muslin, 900 yd. @ $8\frac{3}{4}$ c; 1 pc. Elton Burlap, 29 $\frac{1}{2}$ yd. @ $12\frac{1}{2}$ c; 2 pc. Cypress Plymouth Denim, 121 $\frac{3}{4}$ yd. @ $9\frac{1}{2}$ c; 3 pc. Hungarian Cloth, 123 $\frac{3}{4}$ yd. @ 15c; 4 pc. Figured Dimity, 210 $\frac{3}{4}$ yd. @ $12\frac{1}{2}$ c; 2 pc. Zephyr French Taffeta, 117 yd. @ $12\frac{1}{2}$ c; 4 pc. Dundee Burlap, 163 yd. @ 9c; 4 pc. Ragaline Crepe, 109 $\frac{1}{2}$ yd. @ 15c; $1/2$ doz. Drawers, per doz. \$13.50; 3 doz. Gowns, per doz. \$9; $1/3$ doz. Gowns, per doz. \$21; $1/12$ doz. Gowns, per doz. \$54; 15 Butterick Patterns @ 5c; 12 Butterick Patterns @ $7\frac{1}{2}$ c.

When forwarding, do not carry the partial total into the second column.

NOTE.—The student will observe that after posting the above there will appear three accounts in separate ledgers under the title Burle Van Kleek. Notice that these accounts are kept for entirely separate purposes and should not be confused.

C 7. Burle Van Kleek is allowed to apply \$250 of his credit in the purchase ledger as a first payment on stock account. Issue to him an installment receipt and make the journal entry. Post, debiting account in purchase ledger and crediting account in installment ledger. Also credit subscription account in general ledger.

C 8. Pay in your first installment in cash and take installment receipt.

C 9. Deposit \$2,450.

INFORMATION #160. (Review #125.) A **mortgage** is the conveyance of property for the purpose of securing the payment of money, or the performance of some other obligation.

Personal property is conveyed by chattel mortgage; real property is conveyed by real estate mortgage. The person giving the mortgage is called the **mortgagor**, and the one to whom it is given is called the **mortgagee**. A real estate mortgage is executed, delivered and recorded in the same way as a deed is. A mortgage contains two parts: (1) the conveyance of property like a deed, (2) the stipulation that such conveyance shall be void if the mortgagor pays a certain sum of money or does some other specified act.

INFORMATION #161. Real property is frequently bought for part cash and part notes. When so bought, the property should be conveyed to the buyer by deed, and should then be reconveyed to the seller by mortgage. The mortgage is to be canceled when the notes are paid. If the maker should fail to pay the notes, certain legal steps could be taken whereby the property would be sold at public sale and the proceeds be used to pay the mortgage indebtedness and any remainder passed to the mortgagor.

C 10. Buy of James P. Hess (unmarried) the following property which

will be used for your business purposes: Lot No. Eight (8) in Block No. Thirty-one (31) of _____ City. Make a consideration of \$14,000, to be paid as follows: Cash by check, \$4,000; four notes of \$2,500 each, payable in one, two, three, and four years from date, drawing six per cent from date interest payable annually, and the notes secured by mortgage on the property purchased.

C 11. Fill the following papers:

The deed from James P. Hess to The _____ Mercantile Company. Your check and four notes payable at the bank to James P. Hess. Your mortgage securing the notes, signed by president and yourself as secretary and treasurer. Have the deed and mortgage acknowledged before a notary public, paying a fee of 50 cts. in currency. Have the deed and mortgage recorded, paying a fee of \$2 currency. Make journal entry of the transaction and post.

C 12. Enter in the secretary's minute book a record of a meeting of the board of directors at which four directors were present. They vote to call upon subscribers for a second installment of 50 per cent of the capital stock to be paid within ten days.

C 13. Write an installment receipt in favor of each subscriber except the one having a credit in the purchase ledger, for 50 per cent of the subscription, and collect cash. Enter and post. Deposit the cash received.

C 14. Charge the purchase ledger account of Burle Van Kleek a sufficient amount to pay his subscription in full. His full payment entitles him to a certificate of stock. Before issuing the certificate of stock, have him return the installment receipt issued. Paste this to the stub. Issue certificate of stock No. 1, using the form here given as a model. Transfer the certificate number to the stock ledger account. After posting, rule up his installment account, as it is in balance.

Certificate No. 1	
For	Ten
Shares,	
<u>Burle Van Kleek</u>	
Dated	Oct. 9
FROM WHOM TRANSFERRED	
Original	
Dated	1909
No. Original Certificates	No. Original Shares
—	—
—	—
No. Shares Transferred	
—	
Received Certificate No. 1	
for Ten Shares	
this 9th day of October, 1909	
<u>Burle Van Kleek</u>	

SHARES \$100 EACH	
The Manning Mercantile Company	
Capital Stock \$25000 ⁰⁰	
This Certifies That <u>Burle Van Kleek</u>	
is the owner of <u>Ten</u> Shares of the Capital Stock	
of <u>The Manning Mercantile Co.</u>	
fully paid, transferable only on the Books of the Corporation, by him or his attorney, upon surrender of this Certificate.	
In Witness Whereof the officers of this Corporation have hereunto subscribed their names and caused the corporate Seal to be hereto affixed at <u>Chicago, Ill.</u>	
this 9th day of <u>October</u> , 1909	
<u>John Manning</u> <u>George Sherrill</u>	
Secretary President	

C 15. Pay Burle Van Kleek a check for the balance of his account in the purchase ledger. Post and rule the account.

C 16. Buy of Calhoun, Robbins & Co., City, 20 pc. gingham, 5 pc. unbleached muslin. Use order blank, receive invoice, enter as Voucher #2.

C 17. Sell W. R. Johnson, City, the following goods on acct. 2/10 n/30. Enter in sales book and bill, using the bill received in C16 as a model: 6 pc. Suiting, 34, 33, 33½, 31, 30¼, 32¼, at 35 cts. per yard; 5 pc. Swiss,

45, 43, 52, 51, 46½, at 9 cts.; 3 Empire Skirts #521 at \$6.50; 2 Empire Skirts #501 at \$5.50.

C 18. Sell H. A. Payne, City, as above, 10 doz. Hose #503 at \$2.90 per doz.; 1½ doz. Hose #505 at \$2.95; ½ doz. Hose #857 at \$4.10; 3 Empire Skirts #515 at \$4.50; 6 Empire Skirts #523 at \$3.25.

INFORMATION #163. (Review #130.) Firms that ship merchandise to customers, before delivering the packages to the transportation company, should prepare triplicate shippers' receipts, on which is written the address of consignor, the address of consignee and a description of the shipment. The interstate commerce commission has prescribed a form to be used by all common carriers, called a non-negotiable, **straight bill of lading**. Triplicate copies are made in order that one signed by the agent of the company may be retained by the shipper as a receipt, one may be sent by the shipper to the consignee, and one may be retained by the freight agent to complete his records. One original and two carbon copies are used for this purpose. See form.

Railroad Company

Shipper's No. 1
Agent's No.

STRAIGHT BILL OF LADING—ORIGINAL—NOT NEGOTIABLE.

<small>RECEIVED, subject to the classification and tariff in effect on the date of issuance of this Original Bill of Lading, at <i>Chicago, Ill., 1910</i> FROM <i>Manning Mercantile Co.</i></small>											
<small>The property described below, is received good order, except as noted (contents and condition of packages otherwise), marked, unsigned, and destined as indicated below. It is to be carried by the carrier to the place of delivery or said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, no to make carrier of all or any portion of said route to destination, and as to each party at any time interested in all or any part of said property, that every service to be performed hereunder, shall be subject to all the conditions, whether printed or written, hereto attached (INCLUDING CONDITIONS AND RATES) and which are agreed to by the shipper and accepted by himself and the carrier.</small>											
<small>The rate of freight from <i>Chicago</i>, Ill., to <i>Brownsville, Iowa</i>, in Cents per 100 lbs.</small>											
IF Time Del.	IF 1st Class	IF 2d Class	IF Rate 25	IF 3d Class	IF Rate 26	IF Rate 28	IF 4th Class	IF 5th Class	IF 6th Class	IF Special	
			<u>28</u>								
<small>(Mail Address, Not for purpose of Delivery)</small>											
<small>Consigned to <i>G. G. Brown & Son, Brownsville, Iowa</i></small>											
<small>Destination <i>Brownsville</i>, State of <i>Iowa</i>, County of <i>Cass</i>.</small>											
<small>Route, <i>B. & R. Ry.</i> Car Initial <u></u> Car No. <u></u></small>											
No. PACKAGES	DESCRIPTION OF ARTICLES AND SPECIAL MARKS				WEIGHT (Subject to Correction)	CLASS OR RATE	CHECK COLUMN	If charges are to be prepaid, write or stamp here "To be Prepaid."			
<u>1</u>	<u>Dry Goods</u>				<u>440</u>	<u>28</u>		<small>Received <u></u> to apply in payment of the charges on the property described herein.</small>			
<small>Agent or Carrier. Pay _____ (The signature here acknowledged gives the amount paid.) Charges Adrased:</small>											
<small><i>The Manning Mercantile Co.</i> Shipper For <i>John Manning</i> _____ Agent (This Bill of Lading is to be signed by the shipper and agent of the carrier issuing same.)</small>											

INFORMATION #164. When goods are offered to the carrier for shipment, great care should be exercised in directing the cases properly. The address of the shipper, the direction to the consignee, the route over which shipment is to be made, whether freight is prepaid or to be collected at destination, should all be plainly printed on the box. The form is given in model.

C 19. Sell G. H. Brown & Son, Brownville, your state, ship via B. C. Railway, terms 2/10 n/30: 1 pc. Suiting 33½, at 75 cts; 15 pc. Brown Crash, 39, 38½, 41½, 42½, 41, 40½, 41½, 38¾, 39½, 40, 40, 41½, 41½, 39½, 40½, at 7½ cts; weight 440 lb.

*Dry Goods From
Manning Mercantile Co.,
Chicago, I.N.*

440# Unpaid

*G. H. Brown & Son,
Brownville,
Iowa.
B.C.Ry.*

Direct the shipping case properly. Make out triplicate bills of lading. Enter sale in sales book and fill out bill. Deliver the shipment to freight agent and secure his receipt. Enclose bill and receipt in envelope properly directed. Place your return address in upper left hand corner and place letter in post office. Post the sales book entry to the sales ledger.

C 20. Sell H. Wester, Jesup, your state, 1 pc. Figured Dimity, 52 yd. at 14½ cts.; 2 pc. Dundee Burlap, 41 and 41 yd. at 11 cts.; 2 pc. Ragaline Crepe, 60 yd. at 18 cts; 5 pc. Plain Vienna Silkaline, 49, 51, 49½, 51¾, 49¼, at 8 cts. Weight 280 lb. Proceed as in C19.

INFORMATION #165. The student's attention is directed to the use of **contra columns** in the cash book. A contra column contains items that appear on the side of the cash book opposite to the side from which they should be posted. Their purpose is to save labor by shortening entries. For example, if we pay John Smith's bill of \$100 less a discount of 2 per cent, the amount of cash given is \$98. Without the use of contra discount columns in the cash book, a journal entry would be required debiting John Smith \$100; crediting Cash \$98, and Mdse. Disct. \$2. The cash entry would then be posted to the cash book. (See Infor. #85.) The same result is obtained if an entry is made on the credit side of the cash book, debiting John Smith \$100 in the proper column and entering the discount, \$2.00, in a separate column headed Mdse. Disct. This discount is really a credit and like all other credits, would naturally be found on the debit side of Cash. At the time of balancing the cash book, the total of such discounts is carried to the debit general column of the cash book. The effect of adding it in the opposite debit side is to reduce the cash total credit on such payments to the amount actually paid. The total of Mdse. Disct. thus carried to the debit side is posted, as are all other items in the general debit column, to the credit side of the ledger.

Likewise a contra discount column on the debit side of the cash book contains amounts of discount allowed others. The total of this column at balancing is carried to the credit general column of cash book and is from that posted with all other items in the credit general column to the ledger debit.

The result of using contra discount columns is that entries like those mentioned can be placed on one line of the cash book without the use of

the journal, and that all the discounts of a given period can be posted in one amount instead of one item at a time.

C 21. Pay Voucher #2 by check after deduction of 2% discount. Have bill received. Enter the full amount of the bill to the firm's debit in the accounts payable column of the cash book and the discount in the Mdse. Disct. column. Post the entire amount to their ledger debit and show in the explanatory space the amount of discount received, thus, "D. 1.74."

C 22. Collect cash of H. A. Payne for the amount of his bill less 2%. Make a like entry in the cash book debit side and post. Do not fail to give receipt.

C 23. Send orders for goods to five firms, preparing each order as follows:

1. Enter in the duplicate order blank.

2. Write a letter stating that your company was recently incorporated with \$25,000 capital stock to engage in the dry goods business, and that you desire to open an account with a debit balance not to exceed \$2,000 at any one time. State that you have funds sufficient to discount bills and you expect to do so. State that you enclose an initial order. Request an immediate acknowledgment of the order, also prompt shipment and most favorable terms.

Order of Valentine & Bentley, Boston, Mass.

50 pc. English Mohair.

50 " Jacquarde Madras.

50 " English Corded Prunella.

20 " Directoire.

20 " Sharkskein.

30 " Nainsook.

Order of P. K. Wilson & Son, Cincinnati, Ohio.

20 pc. French Serge Raye.

30 " Percale.

3 " Wool Taffeta.

2 " Table Linen.

Order of Broadhead Worsted Mills, Oswego, N. Y.

50 pc. Storm Serge.

20 " Broadcloth.

20 " Granite Cloth.

20 " Cashmere.

Order of F. A. Foster & Co., New York.

100 pc. Botany Twill.

100 " Toweling.

Order of Folwell Bros. & Co., Chicago.

100 pc. Crown Lining.

70 " Brown Sheeting.

25 " Dimity.

C 24. Sell Berg & Bowers, Independence, ——, on acct., 60 days or 3% ten days: 5 pc. Figured Vienna Silkaline, 49, 51, 52 $\frac{1}{4}$, 50, 48 $\frac{1}{2}$ yd. @ 9 cts; 5 doz. Napkins 18x18, per doz. 48 cts; 1 doz. P. Cases 42x36 "Clio" @ \$2; 1 pc. Elton Burlap, 29 $\frac{1}{2}$ yd. @ 16 cts. Per B. C. Railway. 290 lb.

C 25. Sell Unsubscribed Stock of the company to Leo A. Boyce, ten shares, and C. Bolster, five shares, receiving cash at par. Issue to them stock

certificates Nos. 2 and 3. Open accounts with them in the stock ledger, and post to the stock ledger accounts from the stub of the stock certificate book. Make entry in cash book and post to the general ledger.

C 26. Burle Van Kleek has sold his ten shares of stock (Cert. #1) to C. Bolster and desires that a transfer be made on the books of the company. Secure Van Kleek's certificate, indorse on the back his assignment in these words: "For value received, I hereby assign and transfer unto C. Bolster my right, title, and interest in the within ten shares of stock." Secure Van Kleek's signature to the assignment. Then fill out certificate No. 4 in favor of C. Bolster. The stub must show from whom transferred. Hand Bolster the new certificate. Paste the old certificate to its stub and write "Canceled" across the face. No cash is received or given by the company. The record of the transfer will be complete after you have posted to the stock ledger from the stub of the stock certificate a debit to Van Kleek (rule his account) and a credit to Bolster (give certificate number).

Enter in the minute book the record of a meeting of the directors in which it is voted to call on the stockholders for payment of an installment of the remaining 25 per cent due on stock subscription.

C 27. Collect cash of subscribers for all unpaid subscriptions. Take up their installment certificates, cancel and paste to stubs. Issue certificates of stock Nos. 5, 6, 7, and 8, to each in the order of their ledger accounts. Post and rule the installment ledger accounts. From the stock certificate book transfer the certificate numbers to the respective accounts in the stock ledger.

C 28. Sell L. E. Scott, Manchester, terms 3/10 n/60, 15 pc. Suiting, 30, 37, 38 $\frac{3}{4}$, 37 $\frac{1}{2}$, 37 $\frac{3}{4}$, 36 $\frac{3}{4}$, 36 $\frac{1}{2}$, 36 $\frac{1}{2}$ 38, 36, 35, 36, 36 $\frac{1}{2}$, 37, 36 yd. @ 14 cts. Via B. C. Ry., 300 lb.

Sell Runner & Stone, La Porte, _____, terms 3/10 n/60, 20 sheets 72x90 @ 65 cts; 50 P. Cases 45x36 "Star" @ 12 cts; 7 doz. Hose #226 @ \$2.10 per dozen; 8 bx. Crawford's Linen Floss @ 83 cts. Via B. C. Ry., 195 lb.

Sell G. H. Brown & Son, Brownville, _____, terms 3/10 n/60, 10 pc. French Muslin, 49 $\frac{1}{2}$, 50 $\frac{1}{4}$, 48 $\frac{3}{4}$, 51 $\frac{1}{2}$, 49 $\frac{1}{2}$, 48 $\frac{3}{4}$, 50 $\frac{1}{4}$, 51 $\frac{1}{2}$, 49 $\frac{1}{4}$, 50 $\frac{3}{4}$ yd. @ 10 cts; 1 pc. Jamestown Suiting, 48 $\frac{3}{4}$ yd. @ 99 cts; 1 doz. R. G. Corsets #671 @ \$9.75 per doz.; 1/2 doz. R. G. Corsets #440 @ \$15 per doz. Via B. C. Ry., 480 lb.

Sell Berg & Bowers, Independence, _____, terms 3/10 n/60, 5 pc. Suiting, 37 $\frac{1}{4}$, 38, 37 $\frac{1}{4}$, 36, 38 yd. @ 14 cts; 15 sheets 72x90 @ 65 cts; 20 P. Cases 45x36 "Star" @ 12 cts; 3 pc. Suiting, 58, 59 $\frac{1}{2}$, 54 $\frac{1}{2}$ yd. @ 10 cts; 3 pc. Cream Cord, 103 yd. @ 38 cts; 15 pc. Brown Crash, 39 $\frac{1}{4}$, 40 $\frac{1}{4}$, 41, 41 $\frac{1}{2}$, 40, 38 $\frac{3}{4}$, 39 $\frac{1}{2}$, 42 $\frac{1}{4}$, 37 $\frac{3}{4}$, 43 $\frac{1}{4}$, 38 $\frac{3}{4}$, 41 $\frac{1}{4}$, 43, 41 $\frac{1}{2}$, 27 $\frac{1}{4}$ yd. @ 8 $\frac{1}{2}$ cts. Via B. C. Ry., 595 lb.

Sell W. R. Johnson, City, terms 2/10 n/30, 2 pc. Suiting 40 $\frac{1}{4}$ and 41 yd. @ 15 $\frac{1}{2}$ cts; 30 P. Cases 45x36 "Star" @ 12 cts; 10 sheets 72x90 @ 65 cts; 20 doz. J. & P. Coats Thread @ 56 cts. per doz; 7 bx. C. Linen Floss @ 83 cts. Deliver.

C 29. The Farrier-Miller Co. present a statement covering material and labor to date. The amount is correct. Pay the statement by check. See that it is properly receipted and give it voucher number. File.

C 30. Pay Foskett & Co.'s bill.

C 31. A list of expense items is here given. Make out a check for each. Write on lower left corner of check the purpose for which given. Charge in cash book by items:

Wm. Farrell, salary to date, \$20; C. F. Tomlinson, salary to date, \$12; Perry Hargraves, salary to date, \$8; W. W. Dole, salary to date, \$18; City Light & Power Co., bill to date, \$7.30; Star Sign Painting Co., for services, \$18.60; W. K. Cole, P. M., for stamped envelopes, \$42.90.

C 32. Ship Dollman & Co., Crawford Junction, per U. S. Express, C. O. D., the following bill: 5 pc. Swiss Suiting, 51, 53½, 52¼, 54, 57 yd. @ 10 cts; 15 sheets 72x90 @ 65 cts; 20 P. Cases 45x36 @ 12 cts; 3 pc. Cream Cord, 33, 34, 36 yd. @ 38 cts; 5 pc. Suiting, 24, 24, 25¼, 24¼, 26 yd. @ 15½ cts.

DIRECTIONS. Read Infor. #150. Bill the goods, terms C. O. D. Address the package as you would for a freight shipment, routing it U. S. Express. Place in upper right-hand corner "C. O. D. \$97.21." Place the bill in an express C. O. D. envelope (do not seal), attach the envelope to the case, and deliver to the express agent, taking his receipt.

Open an account with C. O. D.'s in sales ledger (fifth place on page 12) and post to debit of this account (see form, page 99).

C 33. Ship by freight C. O. D. to Denecke & Yeoman, Perry, _____: 3 pc. Swiss Suiting, 62¼, 64½, 59½ yd., @ 10 cts; 12 P. Cases 42x36 (@ 18 cts; 20 doz. Napkins 18x18 @ 48 cts. per doz.; 6 pc. Brown Crash, 39, 39¾, 41, 40½, 41, 37¾ yd. @ 9¼ cts; 3 pc. Jamestown Suitings, 25, 25, 26 yd. @ 90 cts. Via B. C. Ry., 510 lb.

DIRECTIONS. Bill, terms C. O. D. Address the case to your firm, write on case "Notify Denecke & Yeoman." Deliver the case to freight agent, taking an order bill of lading signed by agent. Write on bill of lading "Notify Denecke & Yeoman," and sign; draw a sight draft for the amount on Denecke & Yeoman, attach the bill of lading to the draft, leave draft and attached bill of lading at the bank for collection, mail the bill to Denecke & Yeoman.

Post to C. O. D. account.

C 34. Ship Falstaff Dry Goods Co., Grundy Center, _____, C. O. D.: 10½ doz. Hose #503 @ \$2.60; 1 doz. Hose #505 @ \$2.67; 1½ doz. Hose #859 @ \$3.22; 2¼ doz. R. G. Corsets #671 @ \$12.20; 1/3 doz. R. G. Corsets #29 @ \$27; 5/12 doz. R. G. Corsets #440 @ \$13.80; 3 Empire Skirts #407 @ \$6; 3 Empire Skirts #248 @ \$7.25. Via B. C. Ry., 380 lb.

C 35. Ship Swanson Bros., Swanville, _____, by W. F. & Co. Express, C. O. D., 19 pc. Brown Crash, 40, 39¼, 38, 41, 38½, 39½, 41¾, 40, 41, 38, 41½, 39¼, 37, 26¾, 38, 39¼, 37½, 38¼, 40½ yd. @ 9¾ cts.

C 36. Ship Eversole Mercantile Co., Lincoln, _____, by American Express, C. O. D.: 2-5/12 doz. R. G. Corsets #661 @ \$10.50; 1/3 doz. R. G. Corsets #906 @ \$11.50.

C 37. Pay small items of expense \$3.97 in currency.

C 38. Issue to G. B. Brown 10 shares of unsubscribed stock, receiving cash at 110. Credit Unsubscribed Stock at par and open an account with Premium on Stock (Ledger page 5). Credit this account with premium received.

C 39. Receive cash of W. R. Johnson in payment of his first bill less the stipulated discount. Allow him the major fraction of a cent discount.

C 40. Receive a remittance from G. H. Brown & Son in payment of their first bill.

C 41. Receive a letter from H. Wester, Jesup, complaining that one item billed to him was missing in the shipment. On investigation, you find his statement correct. Credit his account with the proper amount at the price charged, and write him a letter stating that you have done so.

It will be seen that Mdse. should be debited and H. Wester credited with this return charge. But there is an objection to posting such an item to the debit of merchandise. Mdse. debits should show cost; Mdse. credits should show sales. The above and similar allowances should be deducted from sales rather than added to cost. Do not journalize, but make an entry in the sales book (red ink) and post the entry to the credit of the customer. Deduct the amount from the pencil footing of the sales book. The effect of this deduction is to reduce the sales credit to the actual amount sold.

INFORMATION # 166. When quick communication is desired, it is often necessary to write a **telegram** instead of writing a letter. Telegraph companies convey messages immediately by wire and charge for the service a certain rate per word. It is therefore desirable to use the fewest words possible in writing a telegram, yet the message should not be so brief as to be obscure in meaning. If the purpose of the sender will be served by a "night message" (one sent at the convenience of the company after 6 p. m.) a charge of one-half the regular rate is made. If the message is of sufficient importance, it may be ordered "repeated," that is, sent back to verify the exact wording. An additional charge is made for repeating the message. Telegrams are written on blank forms furnished by the telegraph company. See form.

Form 2
THE WESTERN UNION TELEGRAPH COMPANY
INCORPORATED
24,000 OFFICES IN AMERICA. CABLE SERVICE TO ALL THE WORLD.

ROBERT C. CLOWRY, President and General Manager.

Receiver's No.	Time Filed	Check
SEND the following message subject to the terms on back hereof, which are hereby agreed to. <i>Wireless, Iowa, May 5, 1910</i>		
To <u>Folwell Bros. & Co.</u>		
<u>Chicago, Ill.</u>		
<u>Express - Brauns and Son</u>		
<u>Brownsville, Iowa, twenty</u>		
<u>yards Dutchess Satin-Bill</u>		
<u>nd</u>		
<u>Manning Mercantile Co.</u>		

READ THE NOTICE AND AGREEMENT ON BACK.

C 42. Receive, by mail, an order from G. H. Brown & Son. As you do not have the goods in stock, order Folwell Bros. & Co., Chicago, by wire.

to ship by express the goods to G. H. Brown & Son, Brownville, _____, and send bill for same to you. Deliver the message to telegraph company and pay the charges in currency 50 cts.

C 43. Send a telegram (night message) to F. A. Foster & Co., urging immediate shipment of the goods ordered in C23. Use ten words or less. Pay charges 30 cts. in currency.

C 44. Sell George Sherrill 20 shares of Unsubscribed Stock at 110 for cash.

C 45. Transfer ten shares of your stock in the company to C. Bolster, receiving cash at 110. Surrender your certificate No. 5, properly assigned. Issue two certificates, one to Bolster for ten shares and one to yourself for ninety shares. Deliver the one to Bolster and collect cash. Post to stock ledger, debiting your stock account with Cert. #5 returned, and crediting Bolster's account with No. 11 issued and your account with No. 12 issued.

Take the cash received to the bank and purchase a draft for \$500, and exchange 50 cts, and take a certificate of deposit for the remainder. (See Infor. #167.)

Inclose the draft, properly indorsed (see Infor. #98, form 4) in your personal letter to The American Red Cross, Washington, D. C., stating that you send the amount as a personal donation to assist in the relief of the sufferers from the latest great public calamity that you can remember.

Hold the certificate of deposit.

INFORMATION # 167. A person desiring to leave an amount of money at the bank to be withdrawn at one time, may have a certificate of deposit written in his favor instead of depositing on open account. C. D.'s are written payable on demand or after a certain period, and are called demand or time certificates. When the deposit is to be withdrawn, the certificate, properly indorsed, is surrendered to the bank.

C 46. Sell the remainder of Unsubscribed Stock to your teacher, for cash, at 110.

C 47. Deposit all cash on hand.

C 48. Receive bill from Folwell & Co. in answer to your telegram in C42. Enter in purchase book V. #5.

Bill the goods shipped to G. H. Brown & Son by Folwell & Co. on your account, to the former firm at \$2.30 per yard, terms 3/10 n/60.

C 49. Deduct the discount allowed on V. #5. Buy a bank draft for net amount, exchange 10 cts. (check for \$39.30); enter on cash book the payment as instructed in C21; carry the exchange to the expense column on the same line; write on the voucher in red ink "Paid by draft _____19____," and file the paid voucher; write a letter, enclose the draft, and mail to Folwell Bros. & Co.

C 50. Balance the cash book. (1) Pencil foot columns. (2) Carry Accounts Receivable, Accounts Payable, and Expense special columns to general columns as in Ex. XIX. (3) Review Infor. #165. Carry the total of Mdse. Disct. column found on the debit side of cash book to the credit general column of cash book, thus, "Mdse. Disct. contra \$5.18. (4) Carry the Mdse. Disc. column found on the credit side of the cash book to the general debit column, thus, "Mdse. Disct. contra \$2.54. (5) Pencil foot the general columns, find the cash balance and compare with the bank balance, balance the cash book and carry the balance to page 6.

On a sheet of journal paper take a trial balance. (Refer to closing of journal Ex. XIX. before completion of posting.)

Below trial balance make a list of accounts in the stock ledger and compare list with Capital Stock account.

Below enter a list of Installment Ledger accounts (if any) and compare with Subscription. If all accounts are closed, rule the Subscription account.

Below make a list of purchase ledger accounts, if any, and compare with Accounts Payable in general ledger. If all accounts are closed, rule the latter account.

Below make a list of sales ledger accounts, and compare with balance of Accounts Receivable.

Submit the trial balance and lists for approval, and if correct, copy on page 8 of journal, cash and trial balances.

C 51. Receive invoice from P. K. Wilson & Son, in reply to order sent them in C23. Assuming that the goods received are as billed in quantity and quality, verify the extensions and footings of the bill as usual. If errors have been made, show the right amount on bill in red ink, and enter the correct amount in the purchase book. The sender of the bill should be notified in case of error. Attach the corrected bill, when he sends one, to the bill already entered.

C 52. Receive invoice from Folwell Bros. & Co., in reply to order sent them in C23. Assuming that the invoice checks with goods delivered, enter.

C 53. The U. S. Express Co. deliver the C. O. D. envelope sent with shipment in C32, containing cash for the amount of the collection. Enter and post.

C 54. The American Express Co. return C. O. D. envelope sent with shipment in C36, containing cash collected.

C 55. Receive a letter from H. Wester, remitting draft in payment of his account. Give it the necessary attention.

C 56. Receive a letter from G. H. Brown & Son, containing cash.

C 57. Pay by check the premium on a fire insurance policy on stock for \$2,000 at $1\frac{1}{4}$ cts. Receive and file the policy. Take receipt for the payment.

C 58. Buy $172\frac{1}{2}$ shares of the capital stock of the Barrymore Dry Goods Co. at 80. Pay by check and receive the stock certificate. Open a ledger account with Barrymore D. G. Co. Stock.

C 59. You have engaged James Donner as traveling salesman at a salary of \$125 per month and expenses. Open an account with him in the general ledger and write a memo of the terms. at the top of his ledger account. Hand him a check for \$50 advanced expense money and charge his account.

C 60. Buy of Calhoun, Robbins & Co., City, merchandise per bill.

C 61. Discount P. K. Wilson & Co.'s invoice and send a bank draft (exchange \$1) in payment.

C 62. Discount Folwell Bros. & Co.'s invoice and send a draft (exchange 70 cts.) in payment.

C 63. James P. Hess consents to the payment of your note running one year with interest for thirty days at the rate named. He is not legally obliged to accept less than the full year's interest, but for some business reason will settle on the above terms. Give check for the amount and receive the canceled note.

C 64. G. B. Brown sells back to the Company his 10 shares of stock at par. Give check. Charge Treasury Stock. Balance Brown's stock account.

Observe that you have overdrawn your bank account. This should not be done and will not be allowed by the bank. It is of no great consequence in this instance, because you have cash on hand to cover the overdraft and

should make a deposit at once, so that your balance will be sufficient to meet the above check when it shall be presented. In the meantime, indicate the amount of the overdraft on your check stub by subtracting your last balance from the amount of the check and writing the difference in red ink. Deposit all cash on hand and show on check stub your balance changed from "red" to "black."

C 65. Referring to the sales book, it is seen that L. E. Scott was charged with a bill of suiting at 14 cts. per yd. The price should have been 94 cts. per yd. Make in the sales book, as you would enter a new sale, the correct entry referring to the previous incorrect entry, and fill out a corrected bill. Make a red ink reverse entry in the sales book, crediting L. E. Scott with the amount of the previously entered incorrect bill and deduct the amount from sales footings as directed in C41.

Write a letter explaining the change and ask that the correct bill be substituted for the incorrect one.

C 66. Also find that in the sale of C28 to Berg & Bowers, 186½ yd. suiting was billed at 14 cts. instead of 94 cts. Proceed as in C65.

C 67. Receive a letter from Runner & Stone, asking you to deduct the discount of 3 per cent from their bill and draw at sight for the proceeds. Credit them with the discount through the journal. Draw a sight draft for the net amount and leave it at the bank for collection. Notify the drawees. Make pencil memo of the draft drawn in credit side of ledger account.

C 68. Receive a letter from L. E. Scott enclosing his 60-day note without interest to balance account. Credit through journal, enter in notes receivable book; acknowledge.

C 69. The express C. O. D. on Swanson Bros. in C35 is returned collected. Enter and post.

C 70. The two C. O. D. drafts left at the bank in C33 and C34 are paid and credited. Have the bank bookkeeper enter the amounts in your pass book. Observe that 30 cts. collection charges has been deducted from each one. Enter collection charges in Mdse. Disct. column. Add the credits to your bank balance on stub of check book.

C 71. Pay Calhoun, Robbins & Co. a check of \$300 on account. Deduct in red ink from V. #6. No discount is allowed before settlement of entire bill. Enter and post.

C 72. The merchandise ordered of F. A. Foster & Co., Broadhead Worsted Mills, and Valentine & Bentley has arrived and has been checked to their three invoices. It has been found that the invoice from Broadhead Mills is short one piece 48½ yd. Cashmere. Deduct this from bill (red ink) and notify the firm.

One bill is computed incorrectly. Make the correction in red ink, and notify the firm.

Enter the three bills as corrected in the purchase book, giving them voucher numbers in the order named above.

C 73. Make a list of your liabilities. Does the total exceed the amount allowed by your articles of incorporation? If so, sell your Barrymore D. G. Co. stock to E. E. Clermont at 82, receiving cash. Assign the stock certificate as before instructed.

C 74. James Donner sends orders for immediate shipment to customers, which you may enter and bill as follows:

Berg & Bowers, Manchester, ——, terms 3/10 n/60, via B. C. Ry., 620 lb.: 10 pc. Botany Twill, 52, 51, 51, 52½, 50, 54, 53¼, 50½, 49, 54 yd. @ 60 cts.; 4 pc. English Mohair, 36, 38¼, 37, 36½ yd. @ \$1.30; 1 pc. Shark-skin, 54 yd. @ \$1.10.

Mowrey & Co., Independence, ——, terms 3/10 n/60, via B. C. Ry., 480 lb.: 5 pc. Jacquarde Madras, 52, 52¼, 53, 50¾, 49 yd. @ 27 cts.; 2 pc. Directoire, 41, 43¾ yd. @ \$1.95; 3 pc. Granite Cloth, 36, 37½, 35 yd. @ \$1.

L. E. Scott, Manchester, ——, terms 3/10 n/60, via B. C. Ry., 490 lb.: 8 pc. Crown Lining, 54, 53, 52½, 56, 55, 53, 49¾, 49¼ yd. @ 8 cts.; 10 pc. Brown Sheeting, 42, 43, 41½, 43, 44, 45½, 42, 43¼, 45, 44 yd. @ 9 cts.; 1 pc. Storm Serge, 42¾ yd. @ 72 cts.; 1 pc. Wool Taffeta, 60 yd. @ \$1.40.

Crozier & Co., Manchester, ——, terms 3% off C. O. D., via B. C. Ry.; sight draft, B/L attached; 210 lb.: 5 pc. Percale, 44, 45½, 46, 43¼, 47 yd. @ 13 cts.; 2 pc. Table Linen, 56, 56 yd. @ \$1.

G. H. Brown & Son, Brownville, ——, terms 3/10 n/60, via B. C. Ry., 715 lb.: 12 pc. Dimity, 50, 49¼, 48¾, 51½, 48, 51, 54, 39½, 54¼, 54½, 52, 48 yd. @ 11 cts.; 4 pc. Nainsook, 30, 31, 32¼, 34¾ yd. @ 32 cts.; 2 pc. English Corded Prunella, 64, 63 yd. @ \$1.90; 3 pc. Cashmere, 49, 51, 48¾ yd. @ \$1.10

C 75. Deposit all cash on hand.

Compare balance shown by pencil footings of the cash book with balance shown on check stubs.

C 76. Take \$15,000 insurance for one year in an approved insurance company on the stock at \$12.80 per thousand; also take \$7,000 insurance in another company for one year on the three-story, frame, gravel roof building, situated on the lot described in the deed from J. P. Hess, paying \$11.30 per thousand. (Charge Expense.)

C 77. The Byvank Transfer Co. renders a bill of in-freight and transfer charges on merchandise received and delivered by them to date amounting to \$382.90. Pay by check. Use Explanation in ledger account "Freight and Drayage," when you post to the debit of Mdse. account.

C 78. Deduct 2% discount from the last bill from Calhoun, Robbins & Co., and pay the balance due by check.

C 79. Deduct the discount allowed by Valentine & Bently; buy a draft for the net amount; add to the check with which draft is purchased \$6.50 exchange; remit as usual.

C 80. The sight draft drawn on Runner & Stone in C67 has been paid and the proceeds, after deduction of 15 cts. exchange, has been placed to your credit by the bank. Have entry made in your pass book.

C 81. Receive a letter from the Broadhead Worsted Mills. Accept their offer and send note as requested.

C 82. Ship back to F. A. Foster & Co. the entire quantity of Dotted Swiss goods billed you recently. On reviewing the correspondence, it is found that this was not ordered. Charge their account by making a reverse entry in the purchase book (red ink) and deduct the amount from the purchase footings.

C 83. Receive a letter from Berg & Bowers enclosing draft \$830.54 in payment of two bills.

C 84. James Donner sends orders which fill as follows:

H. Wester, Jesup—terms 10 days net, 5 pc. Botany Twill, 51, 53, 51,

52½, 53¼ yd. @ 60c; 2 pc. English Mohair, 37, 36¼ yd. @ \$1.30; 1 pc. Granite Cloth, 37½ yd. @ \$1.00; 150 lb. Via I. C. Ry.

Runner & Stone, La Porte, ——, terms 2/10 n/30, 12 pc. Crown Lining, 53, 52½, 53, 51½, 52, 49½, 48¾, 51½, 52½, 53, 54, 53 yd. @ 8c; 2 pc. Eng. Corded Prunella, 63½, 64½ yd. @ \$1.90. Via B. C. Ry. 200 lb.

Sell W. R. Johnson, City, Acct. 10 days: 6 pc. Dimity, 48¾, 39½, 46, 48, 49½, 54 yd. @ 11c; 10 pc. Jaquarde Madras, 51, 52, 52¼, 51, 49½, 49½, 50, 51, 51½, 51 yd. @ 27c.

C 85. The sight draft on Crozier & Co. has been collected and credited to your account at the bank at face less 30 cts. Have it entered in your bank book.

C 86. Make a statement showing W. R. Johnson's balance, without discount; fill out 30-day, interest-bearing note for the balance, secure his signature and close the account.

C 87. Receive expense report from James Donner showing total traveling expenses paid by him for the week to \$28.39. Make journal entry debiting Expense and crediting James Donner. (A separate account title "Traveling Expense" is used where it is desired to keep this item separate from General Expense.)

C 88. Send F. A. Foster & Co. a draft for \$1,000 (Exchange \$1), to apply on account.

C 89. Receive a letter from H. Wester enclosing note in settlement of account. Give him credit and acknowledge remittance.

C 90. James Donner informs you by telephone from Manchester that owing to personal reasons he is unable to represent the house any longer. He reports that his expense account since last report shows \$7.84 expended, for which he asks credit, together with one-half month's salary. Allow him the credit asked and remit to him a bank draft for the balance due him. (Exchange 10 cts.)

INFORMATION # 168. When property losses by fire occur, the agents of the companies who carry the insurance of the property should be notified immediately. The agents inspect the loss and report to their companies. If losses are partial or small, the local agents are usually required to make an agreement with the assured as to the amount of loss, and to award the damages. If the loss is considerable, special insurance adjusters are sent from the main offices. It is often difficult to determine the exact amount of loss. There is no set simple rule for doing this. If the merchandise account is kept as in this set, showing on the debit side the actual cost plus the freight, and on the credit side the actual sales, the losses on merchandise can be approximated closely enough in case of total loss for practical purposes by an inspection of this account, with the accompanying vouchers.

When it is impossible to agree as to the value of a loss, insurance companies frequently restore damaged buildings rather than pay to the assured a cash loss.

When an agreement with reference to a loss is made, the assured is required to sign the "proof of loss," which serves as a release from further claims by him.

C 91. A fire which occurred in the store room some time ago, damaging a small quantity of merchandise, has been adjusted with the agent of the fire insurance company, the loss agreed upon being \$52. Sign the agent's

proof of loss form and receive check for the amount of the claim, which credit to Merchandise account.

C 92. Walter A. Garrabrant has sold his 20 shares of stock to Leo A. Boyce. Make a correct transfer on the books. (Compare with C26.)

C 93. Examine your ledger to see that the indebtedness does not exceed the limit mentioned in the articles of incorporation.

C 94. Deposit all cash on hand.

Pay the secretary and treasurer one month's salary by check.

C 95. Enter resource Inventories of Merchandise, Real Estate, Furniture & Fixtures, and liability inventory of Interest and Discount on pages 11 and 12 Inventory book.

Merchandise as listed below:

20 pc. Brown Crash, 800 yd. @ 8c; 6 pc. Suiting, 167 $\frac{1}{8}$ yd. @ 27c; 31 pc. Wash Goods, 1,026 $\frac{3}{4}$ yd. @ 5 $\frac{7}{8}$ c; 6 pc. Jamestown Suitings, 152 yd. @ 72 $\frac{1}{2}$ c; 10 $\frac{1}{2}$ doz. Hose #503 @ \$2.10 per doz.; 3-5/12 doz. R. G. Corsets #663 @ \$8.50 per doz.; 1 Emp. Skirt #417 @ \$9; 308 doz. J. & P. Coats Thread @ 55c per doz.; 120 P. Cases 42x36 @ 7 $\frac{3}{4}$ c; 60 P. Cases 42x36 "Fearless" @ 8 $\frac{3}{4}$ c; 12 P. Cases "Clio" @ 11 $\frac{3}{4}$ c; 60 P. Cases 45x36 "Gold Medal" @ 15 $\frac{1}{2}$ c; 36 pc. Vienna Silkaline, 1,868 $\frac{1}{2}$ yd. @ 7 $\frac{1}{2}$ c; 7 pc. V. Silkaline, 345 $\frac{1}{4}$ yd. @ 6c; 7 pc. French Muslin, 400 yd. @ 8 $\frac{3}{4}$ c; 2 pc. Cypress Denim, 121 $\frac{3}{4}$ yd. @ 9 $\frac{1}{2}$ c; 3 pc. Hungarian Cloth, 123 $\frac{3}{4}$ yd. @ 15c; 3 pc. Fig. Dimity, 158 $\frac{3}{4}$ yd. @ 12 $\frac{1}{2}$ c; 2 pc. Zephyr French Taffeta, 117 yd. @ 12 $\frac{1}{2}$ c; 2 pc. Dundee Burlap, 81 yd. @ 9c; 2 pc. Ragaline Crepe, 49 $\frac{1}{2}$ yd. @ 15c; 3 doz. Gowns @ \$9 per doz.; 1/3 doz. Gowns @ \$21 per doz.; 1/12 doz. Gowns @ \$54 per doz.; 5 pc. Unbleached Muslin, 168 yd. @ 6c; 20 pc. French Serge Raye, 721 yd. @ 80c; 2 pc. Wool Taffeta, 120 yd. @ \$1.10; 25 pc. Percale, 1,132 yd. @ 9c; 80 pc. Crown Lining, 4,330 yd. @ 6c; 60 pc. Br. Sheeting, 3,582 yd. @ 7c; 13 pc. Dimity, 663 $\frac{1}{2}$ yd. @ 8c; 85 pc. Botany Twill, 4,481 $\frac{1}{2}$ yd. @ 45c; 100 pc. Toweling, 5,020 yd. @ 9c; 49 pc. Storm Serge, 2,401 yd. @ 55c; 20 pc. Broadcloth, 958 yd. @ \$2.80; 16 pc. Granite Cloth, 546 yd. @ 75c; 17 pc. Cashmere, 824 $\frac{1}{2}$ yd. @ 90c; 44 pc. Eng. Mohair, 1,656 yd. @ \$1.05; 35 pc. Jacquarde Madras, 1,848 $\frac{3}{4}$ yd. @ 18c; 46 pc. Eng. Corded Prunella, 1,049 yd. @ \$1.50; 18 pc. Directoire, 734 yd. @ \$1.60; 19 pc. Sharkskin, 1,036 yd. @ 90c; 26 pc. Nainsook, 963 $\frac{3}{4}$ yd. @ 24c; 30 pc. Dundee Twill, 1,429 yd. @ 32c; 12 pc. Jamestown Suitings, 528 yd. @ \$1.20; 10 pc. Broadcloth, 383 yd. @ \$2.10; 10 pc. French Muslin, 437 yd. @ 6c.

Real Estate, \$14,500.

Furn. & Fixt. 10% below cost.

Interest & Discount, a liability inventory of 6% for 30 days on the three notes payable to J. P. Hess.

C 96. Rule up Journal, purchase and sales books and post.

C 97. Balance the cash book and make a trial balance and ledger lists as in C50 Record same on page 9.

C 98. Make a statement of the business and record on page 10. In this statement include the capital stock with liabilities and the treasury stock with resources.

Close the ledger into Loss & Gain.

C 99. At a meeting of the board of directors it is decided to declare a dividend of five per cent on the 240 shares of stock held by stockholders.

Close Loss & Gain into Undivided Profits.

Close 5% of \$24,000 into Dividend #1 account and the remainder of the gain into Surplus. Issue checks to each stockholder for his five per cent dividend, and post to Dividend account and rule.

Write on check "Five per cent Dividend #1 declared _____.19...."
C 100. Balance the cash book and take a trial balance, making record on page 10.

Submit your work.

- QUESTIONS.**
1. What is the secretary's minute book and how used?
 2. What special ledgers are used in this set?
 3. What special columns appear in the journal?
 4. What special columns appear in the cash book?
 5. Explain the use of contra discount columns in the cash book.
 6. What is a real estate mortgage?
 7. What is a bill of lading and how used?
 8. How are shares of stock transferred on the books of the company?
 9. How are goods billed C. O. D. by freight?
 10. How are goods billed C. O. D. by express?
 11. Why should not returned merchandise be charged to the general merchandise account?
 12. What is a certificate of deposit and how used?
 13. How is a bank overdraft shown on check stub?
 14. How are fire losses adjusted by insurance companies?
 15. How is an account with a traveling salesman kept?
 16. What can you say of the entry for a liability inventory when closing the books?
 17. How is a corporation statement of business made, and how does it differ from an ordinary statement?
 18. What does surplus account represent?
 19. Name some advantages of a corporation.
 20. Name three usual officers of a corporation.

EXERCISE XXI

INFORMATION # 170. A method of bookkeeping in which accounts with persons and cash only are kept is called **single entry**. This name is used to indicate that in any transaction a corresponding debit is not sought for every credit, but that the debit or credit that seems of most use to the bookkeeper is entered, while the corresponding entry is disregarded. Any accounts kept in double entry can be kept in single entry books, but as a rule those who keep books by single entry give attention to the financial accounts only.

INFORMATION # 171. In single entry a day book is used to record personal debits and credits or other memoranda, and a cash book in which to record cash receipts and payments.

Entries in either of these books so far as they affect personal accounts are posted to such accounts in a personal account ledger.

INFORMATION # 172. There are many devices used for simplifying sales records from shops to retail customers; as, the duplicate sales sheets, customers' individual pads, combined sales and ledger, etc. These devices are useful, as they reduce the labor of billing and posting small sales, but

they require no special study here as their form is constantly undergoing change, and their usefulness is more or less evident without any special reference in a study of accounting.

EXPLANATION. In this exercise the entries illustrating the use of single entry books, the posting, and method of taking a financial statement are given.

DIRECTIONS. Take one folded sheet of journal and one-half sheet ledger paper. Use pages 1 and 2 of the journal paper for a day book, page 3 for a cash book and page 4 for statement. The ledger is to contain personal accounts only; three payable on page one, five receivable on page two.

Day Book of John Adams.

Nov 1	John Adams began the hardware business with		
	Cash on hand	580.20	
	Model (Inventory value)	4629.50	
	Real Estate (Inventory value)	2750	7959.70
2/ 1	Garver & Lane Cr. Merchandise V#2		259.84
3/ 1	Coan & Co. Cr. Merchandise V#3		164.30
4/ 1	68 Cans Kitchen Range Cr. 1 Dozen 5 Pcs Pipe	34.60 1.80 1.30	37.70

TRANSACTIONS. Nov. 1, 1910. John Adams began a retail hardware business with the following investment: Cash \$580.20, Merchandise valued at \$4,629.50, Real Estate valued at \$2,750. There are no liabilities.

Make a list of the resources as shown in the model day book. No account is to be kept with merchandise or real estate. Simply transfer the cash to the debit column of the single page cash book. Place a check mark before the entry to show that no posting is required.

Paid cash for taxes on property occupied for business, \$29.63. Enter as in model and check mark to show no posting.

Nov. 2. Bought of Garver & Lane, merchandise per bill V. #2., \$259.84, on account.

Enter in day book as in model and post to personal ledger in the accounts payable portion.

Nov. 3. Bought of Coan & Co., on account, merchandise per V. #3, \$164.30. Enter and post as before.

Paid sundry expense items \$3.29. Enter in cash book. Do not post.

Paid freight on Vouchers #2 and 3, \$16.34.

Nov. 4. Sold to E. S. Conry, on account, 1 Kitchen Range, \$34.60; 1 Boiler, \$1.80; 5 pc. Pipe for \$1.30.

Cash Book of John Adams

1910			
Nov 1	- Cash invested	58020	
	- Taxes paid per receipt	2963	
3	- Sundry expenses paid	529	
	- Freight on goods paid	1634	
16	- Dish pan sold	80	
	- 1 pc Shears "	60	
	- 2 Hammers "	110	
	- 1 Axe 4# "	125	
1/1	Garver & Lane on account	100	

Enter in day book as in model and post to debit of customer as in model.

Sold W. B. Cooper, on account, 1 Hand Saw, \$2.25; 1 Plane, \$1.20; 1 Square, \$1.50.

Sold for cash to sundry customers: Dish pan, 80 cts; 1 #10 shears, 60 cts; 2 hammers for \$1.10; 1 axe 4# for \$1.25. (Enter in cash book. Do not post.)

Nov. 8. Paid Garver & Lane cash on account, \$100. (Enter in cash book, using the title Garver & Lane. As this is a personal account, post the entry to the debit of G. & L.'s account.)

Nov. 9. Bought of Hibbard & Co., mdse. per V. #4, \$729.50.

Sold Mrs. M. B. Williams, on account, 1 enameled roaster, \$1.50; 1 soup strainer, 25 cts; 1 universal bread mixer, \$2; 4 papers tacks, 20 cts; 1 rolling pin, 15 cts.

Nov. 9. Sent Hibbard & Co. a 30-day note #1, on account, for \$500. (Debit H. & C. in day book and post to ledger. The notes, if numerous enough, could be entered in a notes payable book. Otherwise they would be referred to from stub of note book.)

Nov. 10. The following cash sales were made: Meat grinder, \$1.25; awl, 40 cts; steel carving knife, 50 cts; cold chisel, 90 cts; flour sifter, 50 cts; refrigerator, \$16.80; set irons, \$2.

Nov. 12. Received of E. S. Conry a note at 30 days in settlement of his account, \$37.70. (Credit Conry through the day book. An entry of notes receivable is kept in auxiliary notes receivable book if there are a sufficient number to require such a record.)

Nov. 15. Paid cash for sundry expense items, \$16. Received of W. B. Cooper, cash in full of account, \$4.95. (Enter in cash book and post.)

Nov. 16. Sold Charles Gates, on account, 1 emery stone, \$5; 100 ft. soft mesh fencing, \$3; #2 mortise lock for 70 cts.

Nov. 17. Sold M. B. Doren, on account, stepladder, \$1.75; 1 gasoline can, 65 cts; 1 ironing board, 98 cts; 1 bread board, 47 cts.

Sold E. S. Conry, on account, 1 register, \$3; 40 ft. 8 in. pipe, \$4; 1 pkg. wire, 10 cts.

Paid Charles Emery, wages as clerk, \$7.

Nov. 18. Sold W. B. Cooper, on account, 1 pr. shears, 40 cts; 1 dust pan, 25 cts; 1 #9 file, 75 cts; 1 dbl. tin pail, 60 cts; 1 cake tin, 27 cts; 1 stove mat, \$1.25.

Sold Mrs. M. B. Williams, on account, 1 hard coal burner, \$40; 1 blue flame oil stove, \$21; 1 pail, 40 cts.

Received cash of Mrs. M. B. Williams, on account, \$15.

Nov. 19. Sent Doan & Co. our note #2 in full of account.

Nov. 20. Sent Garver & Lane cash, on account, \$100.

Nov. 21. Received from Doan & Co. invoice of goods billed on account, V. #5, \$349.80.

Nov. 30. Mrs. M. B. Williams gives her 60-day note for the balance of her account.

The student will observe that the entries of debits and credits in the same column of the day book, and of posted and unposted items in the same column of cash book renders any proof of posting by comparison with column footings practically impossible. The bookkeeper, if he keeps books in this manner, simply must be careful to post correctly. A failure to post may never be discovered.

In closing the cash book, place the balance in the lesser side (red ink), rule, foot, and carry the balance down (black ink).

A statement of the business may now be taken from the cash balance and the following resources: Merchandise inventory, \$6,062.93; Notes Receivable inventory, \$88.20; Real Estate inventory, \$2,750; and list of open accounts receivable. The liabilities are Notes Payable inventory, \$664.30, and list of open accounts payable.

The difference between total resources and liabilities will show net worth. The net worth compared with net worth at starting will show loss or gain for the period.

After completion, pin the exercise, day book at top, ledger under, and submit.

- QUESTIONS.**
1. What is single entry bookkeeping?
 2. What kind of accounts are generally kept in single entry books?
 3. Can any account kept in double entry books be kept by single entry if desired?
 4. What three books are essential in single entry?
 5. How is the day book used?
 6. Describe the cash book there illustrated.
 7. What two divisions of ledger accounts were made?
 8. What division of accounts found in double entry books was omitted?
 9. How is the financial statement taken from single entry books?
 10. How is gain or loss for a given period shown?

EXERCISE XXII.

INFORMATION # 173. The six-column journal, as commonly used, is a book with four special columns and two general columns, so arranged that the titles and explanations appear in the center space from left to right; the debit money columns are placed to the left, and the credit money columns to the right of this space. A debit and a credit cash column are used, thus doing away with the general cash book. This form of journal is practical,

and in many places can be used to good advantage. The form illustrated shows Cash, Mdse. and General debit columns; General, Mdse. and Cash credit columns.

Journal of Frank C. Bowers'

Cash Dr.	Mdse. Dr.	Genl. Dr.	Dr.	De Titles	Cr. Titles	Cr.	Genl. Cr.	Mdse. Cr.	Cash Cr.
					Dec 1, 1909				
529060				- Cash	Frank C. Bowers /	14587.40			
	1429680			- Mdse					
					begin business with investment as above				
					Dec 2 1909				
	153960			- Mdse	Cash		153960		
					Purchase per 261				
	63780			- Mdse	Brownlow 2	63780			
					Purchase per 262				
	174261			- Mdse	Notes Pay'd 1	174261			
					Purchase per 263				
	69472			- Cash	Mdse		69472		
					Sale of stock per 264				
	1610702			- Everett	Mdse		1610702		
					Sold on accts. per 265				

credit columns. When a trial balance is to be taken, the special columns are carried to the general column as shown, there balanced and posted to the ledger. This form requires a general cash account in the ledger.

4064			- Cash (40) Dr. & Cr. 2	4064
			Dec 3, 1909.	
	1000	2	Cash (40) Cr. 1000	
			Mdse (40)	
	206 11		Mdse 103 4110	
	734 1		Cash 102 576	
	57 77			42 27

174. The six-column and the four-column journals and the special column cash books given in this text illustrate the uses to which **special columns** may be placed. Bookkeepers employ special columns very largely where work, particularly posting, can be reduced by their use. Journals containing ten, twelve and even twenty columns are not unusual. Special journal columns should be discontinued at the point where the entry of an amount in a given column at a distance from its title would involve more care than would the posting of the entry to the ledger from a book of ordinary columns.

EXPLANATION. In this exercise we have chosen the lumber business to illustrate the essential entries, although it might be used as well with many other lines.

DIRECTIONS. Take one-half sheet of six-column journal and one-half sheet of ledger. Allow page one of ledger for general accounts and page two for personal accounts. Accounts will need five lines each.

TRANSACTIONS. Dec. 1. Frank C. Bowers began a lumber business, investing cash \$5,290.60, and Mdse. per inventory, \$14,296.80. Enter, and

post one item. (Observe that in the model entry the Cash and Mdse. debits are carried to their respective columns to be posted by totals when the journal is balanced. The credit is carried to the general credit column, indicating that it is to be posted as entered.)

Dec. 2. Bought for cash, Mdse. per V. #1, \$1,529.60. (No posting is required, as both debits and credits are in special columns.)

Bought of Brown & Son, on account, Mdse. per V. #2, \$627.80. (Post the credit from general column.)

Bought of Cadman & Co. Mdse. per V. #3, \$1,742.61, giving note payable #1 in payment.

Dec. 3. Sold for cash Mdse. per sales book, amounting to \$694.72. (No posting required.)

Sold to T. Everson, Mdse. per sales book, on account, \$1,620.70. (Post one title.)

Sold to E. B. Jamison, receiving in payment his note at 60 days, Mdse. per sales book, \$549.59.

Dec. 4. Paid cash for stationery for office, \$30.26.

Received cash of T. Everson, on account, \$500.

Pencil foot the cash debit and credit columns. Is the balance there shown \$4,925.46?

Dec. 10 Sold for cash to J. Kellogg, Mdse. per sales book, \$560.50.

Dec. 11. Sold to Archer & Archer, on account, Mdse. per sales book, \$40.64.

Dec. 12. Sent Brown & Son our 60-day note to apply on account, for \$400.

Received from E. B. Jamison, cash indorsed on the note received from him Dec. 3, \$120.

Paid Cadman & Co. cash indorsed on the note given Dec. 1, \$1,000.

Bought of Ely & Close, Mdse. per V. #4, on account, \$2,168.30.

Dec. 15. The day's cash sales per sales book amount to \$124.95.

Received cash of Archer & Archer in full of account.

Dec. 31. Paid Ely & Close cash on account, \$1,000.

After entry of above transactions, close the month's work on the journal by carrying the footings of the special columns into the general columns. The footing of the general columns should then balance. Post the entries in the general columns and refer back to the other entries in the general columns to see that all are posted. A cash account is needed in the ledger.

Take a trial balance of ledger.

Submit the work.

QUESTIONS. 1. Describe the six-column journal.

2. What advantages has this book?

3. Is a general cash book required with a six-column journal?

4. Why are the cash totals posted to the ledger?

5. What can you say with reference to special column journals containing many columns?

EXERCISE XXIII

INFORMATION #175. In the management of a business concern employing many persons, the work can be taken care of best by dividing it into departments. Each department is in charge of a manager whose entire

attention is given to a particular phase of the business. The bookkeeping records of the departments are kept as separate units, but the totals are reported each day to a general bookkeeper who, from these reports, makes up the general accounts of the business. The department plan of conducting any business enables the persons working to specialize on one given part of the whole work and thus accomplish greater results than could be secured if each person's energies were expended in many different ways.

EXPLANATION. In this exercise, the department system of bookkeeping will be illustrated by the entries of two days' work in a bank. The rulings required are to be prepared by the student from writing paper. The student should use care as to width of rulings and general make-up.

INFORMATION # 176. (Review Infor. #81, #82, #144, and #145.) A bank may be divided into four departments: (1) Department of Individual Deposits, where the daily deposits of customers are credited and their daily checks are charged; (2) Department of Loans and Discounts, where entries are made of the notes on which customers have borrowed money, and of the payment of such notes; (3) Exchange Department, where a record is made of the drafts drawn by the local bank on other banks and of drafts sent by the local bank to other banks for collection or credit; (4) General Books, where a record is kept of the totals passed from the other departments by tickets daily. Of course, other departments are needed in banks whose business is more extensive and varied than here considered. The forms given, however, are representative.

177. The entries for the **individual deposits** are placed daily in a ledger especially ruled for this purpose. Several different rulings are in use. A common one is here given. In this ledger the depositor's name is placed at the left. To the right of the name, divisions are made, each division to contain one day's work. The day's work shows on each depositor's line in one column the total checks charged, in another the credits given, and in a third the balance of the account. The totals of all checks or debits and of all deposits for the day are found by footing the respective columns. At the close of the day, these footings are passed by ticket to the general bookkeeper, who enters the amounts to the debit and credit of Individual Deposits account in the general books. See model.

Individual Depositor's Ledger

Depositors	May 30		June 1, 1909		June 2, 1909			
	Amount Forward		Check or Debits	Deposits or Credit	Balance's.	Check or Debits	Deposits or Credit	Balances.
Alexander, G. B.	49,160		① 10,299	2,906	67,921			
Bennett, Ed.	129,80		② 47,40		137,20			
Board & Barry	42,419			11,604	55,021			
Collings, S. P.	30,49					30,49		
Craig, Peter	59,461		③ 13,612	100	55,149			
<hr/>								
Hates, Frank	191,685	90			191,685	90		
Zimmer, P.	129,75		④ 10,706	1	219,680			
	198,471	60	10,591	21,165	199,165	57		

178. Money is loaned by the bank to persons who give the bank their notes to secure payment. The advance of money by the bank is called a **Loan** when the face of an interest-bearing note is paid to the borrower to be repaid with accrued interest later. It is called a **Bill Discounted** when future due paper is taken by the bank at a deduction from the amount, and the proceeds or difference between face and discount is paid to the customer. The entries of the loans and discounts for the day are made in the loan and discount register, as shown in the model. The totals are handed to the general bookkeeper by tickets debiting Loans, and Bills Discounted, and crediting Discount. See form.

Loan & Discount Register

No.	Payer	Face of	Date	Time	Due	Drawn Ac.	Bills Ac.	Amount Paid
1	J. S. Barnes	us	Mar. 1	6 m.	June 1	1000		
2	Gilden Sonner	"	Jan. 1	6 d.	July 31	500	5	
3	S. Murphy	Cole & Lamp	May 6	9 m.	Aug. 6	400	379	
4	Casey Trg. Co.	us	Jan. 1	1 m.	Aug. 1	600		
						1600	906	879

179. In the Exchange Department, drafts on other banks with whom the drawing bank has open accounts, are drawn and sold to customers who wish to make remittances. Entry of these drafts is made in the draft register, which contains, besides a column for the totals drawn, a column for the total exchange charged for them. Tickets are given the general bookkeeper crediting the drawee bank and Exchange accounts. (See model.)

Draft Register - Draft to N.Y.

Date	No.	To whom sold	To whom payable	Face	Total	Exchange Total
1909						
Jan. 1	1	R. Courbet	same	1640		10
	2	Ray Minot	J. Hannanated	12960		20
	3	Anna Cunn	Amesville	510		10
	4	Casey Trg. Co.	same	67140	82250	20 110

In this department drafts and other cash items payable by out-of-town banks are entered in a remittance register. After entry, they are indorsed and mailed to a correspondent bank which is to pay or send them for collection to other banks. This correspondent bank gives credit for these drafts, thus maintaining a credit balance against which the above mentioned drafts are drawn. The day's drafts issued are totaled on remittance register, and the total credited to the bank on which drawn. The total exchange is credited to Exchange account. The total of the remittance register is charged to the account of the bank to whom sent.

Remittance Register

Date	Drawn	Address	Last Ind.	No.	Drawee	Amount.
June 1	May 28	Farmers Bk. Preston	Collins	1441	Leahard Albany	790.00
	26	1% Society of Craig	1970	1%	New York	100
June 1	Bank of Clinton	(Bk.)	2910	1%	Albany	500
						190.30

180. The tickets from the departments are entered in the general journal to the debit or credit of the accounts mentioned. This is conveniently done in a journal with the titles in the center and the debit and credit amounts in columns to the left and right. The usual titles are

Bills Discounted—The account with discounted notes, drafts, etc., purchased by the bank.

Cash—Practically all transactions of a bank are for cash, hence cash is the complementary title of every debit or credit ticket entry.

Other Banks—The banks on whom drafts are drawn and to whom cash items are sent.

Expense—As in any other business.

Furniture and Fixtures—As in any other business.

Loans—The account with customers' interest-bearing notes representing cash paid for loans.

Capital Stock—As in any other business.

Certificates of Deposit—The account with deposited money for which certificates of deposit have been given.

Collection and Exchange—To which is credited the charges for collecting paper and the exchange for drafts sold.

Interest and Discount—The cash paid for the use of money on loans or discounts.

Individual Deposits—The total of accounts with checking depositors.

The above are the principal general ledger titles in a bank, although other titles are used with more or less frequency.

General Journal

Explanation	Debit amounts	: Titles	Credit amounts	Explanation
		June 1, 1909		
Total checked	1357.12	- Ind. Deposits	✓ 1687.09	Total
- Loans	1600	- Loans		
- rents	906	- Bills Disc.		
		Interest	- 879	Received
Rentited	890.30	- (1% New York)	- 881.50	Sold
		Exchange	- 110	on sales
	2683.48	- Cash	✓ 4752.43	
	7236.90		7236.90	
		June 2, 1909		

The general journal is posted to the general ledger daily. The general ledger may be ruled in one of several different ways, as the four-column balance ledger, the three-column balance ledger, the ordinary two-column ledger, etc. In this exercise the two-column ledger is to be used.

A daily balance of the ledger is taken in the **daily balance book**. This is so arranged that the accounts showing resources and those showing liabilities are grouped separately. The total resources thus equal the total liabilities. See the model form which shows the resource and liability accounts ordinarily found in a bank general ledger and general balance book.

General Balances

Resources	May 31	June 1	June 2	June 3
Bills Discounted	175.41	176.47	180	181
Cash	6879.78	6652.29	595	5854.10
Expense	162.14	162.14	162.14	162.14
Furniture & Fixt.	7958.73	7958.73	7958.73	7958.73
Fixt. & Prop. New York	7578.63	7585.41	7585.41	7585.41
Loan	3142.95	3302.95	3302.95	3302.95
Salaries	155	155	155	155
Stocks & Bonds	4000	4000	4000	4000
Total	78108.07	771684.46	771684.46	771684.46

Liabilities

Capital Stock	50000	50000		
Cost of Deposit	75000	75000		
Colln & Exchange	847.30	848.40		
Interest & Discount	1061.80	1570.59		
Individual Deposits	199471.60	199765.57		
Surplus	4500	4500		
Total	78108.07	771684.46		

TRANSACTIONS JUNE 1. (Individual Deposits Department.) Rule an individual ledger on penmanship paper for two days as in the model, and enter the customers' names as there given, also enter in the amount forwarded column the balances that appear to the credit of the respective depositors at the close of the previous date, May 30. Foot the column. Do not enter any amounts in the debit or credit columns until instructed to do so.

The following deposits were received today: J. B. Alcorn, \$290.60; Board & Casey, \$1,260.49; Peter Craig, \$100. Enter these in the credit column opposite the depositors' names as shown in the form.

The following checks were paid to be charged: J. B. Alcorn, \$49, \$52.60, \$1.39; E. S. Bennett, \$5, \$5, \$37.40; Peter Craig, \$56.70, \$79.42; Peter Zimmer, \$40, \$57.90, \$500, \$72.51, \$400.20. Total the checks to each person and enter the totals in the debits column, indicating the number of checks in each charge

by a small circled figure as in model. (In a bank these checks would be added in a separate column, on a scratch book, or by an adding machine, and the lists of the checks kept.)

Foot the Debits and Credits columns. The totals there given are to be placed on tickets for entry in the general journal, debiting and crediting Individual Deposits respectively with the amounts therein.

To complete the individual ledger add the credits of each depositor to his previous balance and subtract his debits, carrying the balance found to the balance column of June 1. Any balances having no debit or credit on June 1, should be carried forward to the balances column without change.

When all balances are carried out, add to the total of previous day's balances the total day's credits, from the sum subtract the total day's debits; the result should equal the total of the day's balances.

(Loan and Discount Department.) Rule a Loan & Discount Register as in model. The following loans and discounts have been made for customers: J. S. Barns, note our favor payable on demand, drawing interest, for \$1,000, for which he was allowed face. (Enter in loan column as shown.)

Glidden Donner, note 60 days our favor, without interest, discounted
\$5 Enter as shown.

Dennis Murphy, note 3 months, favor Cole & Camp, amount \$406, for which we paid amount less \$3.79 discount.

Casey Mfg. Co., note to us, interest bearing, due 2 months, for \$600, for which we allowed face.

Having entered as shown in model, make three tickets, debiting Loans, Bills Discounted, and crediting Int. & Discount with the totals there shown.

(Exchange Department.) After ruling draft and remittance registers as shown, enter the sale of four drafts on the First National Bank, New York, as follows: No. 1, sold to R. Courbet, payable to same person, for \$16.40, exchange 10 cts; No. 2, sold to Ray Minkler, favor John Wannamaker, for \$129.60, exchange 20 cts; No. 3, Anna Crum, in favor of J. Merrill & Co., for \$5.10, exchange 10 cts; No. 4, Perry Mfg. Co., to their order, for \$671.40, exchange 70 cts.

Total the day's entries and make two tickets, one crediting First National Bank, New York, with the total of drafts drawn, the other crediting Collection & Exchange with the exchange paid for the drafts.

There were received during the day in deposits or for cash paid three bank drafts, payable in or about New York City, which we have indorsed and sent to the First National Bank of New York, for credit: No. 1491, dated May 28, by Farmers Bank, Vinton, on Seabord Nat'l Bank, New York, indorsed by J. B. Alcorn, for \$290.30; No. 1957, dated May 26, by First Nat'l Bank, Sioux City, on First Nat'l Bank, New York, indorsed by P. Craig, for \$100; No. 2910, dated June 1, by Bank of Vinton, on First Nat'l Bank, Albany, N. Y., indorsed by J. B. Coe, for \$500.

Total the drafts sent and make a ticket debiting First Nat'l Bank, New York, with the amount.

(The General Books.) Rule a general journal as shown in model; use a half sheet of ledger paper for the ledger, and rule a page of general daily balances as in model. Enter the account titles shown in the model on a sheet of ledger paper (4 lines to account) and transfer to this ledger the balances

of May 31, resource balances on the debit side and liability balances on the credit side. Notice that accounts are in alphabetical order for convenience in locating them. After entry, transfer these balances to the daily balance book and foot.

Enter the eight tickets from the departments to the debit or credit of the respective accounts as shown in model. Observe that all credit amounts to titles other than cash represent cash received or cash debits, and all debit amounts represent cash paid or cash credits. Write the title cash below the other titles, and to its debit place the total of all other credits and to its credit place the total of all other debits.

Rule and foot debit and credit columns to show that they are equal.

When the journal is completed all entries, including cash, are to be posted to the ledger, debits to the debit of the accounts and credits on the credit side, as in any ledger. Indicate that posting is done by check marks.

When the posting is completed, find the balance of each account and transfer it to the book of general balances as shown in model. The completion of this trial balance closes the day's work.

June 2. (Individual Deposits Department.) The following deposits were made: J. B. Alcorn, \$530.70; E. S. Bennett, \$210; D. R. Collings, \$150; Peter Craig, \$2,570.91.

The following checks were paid: J. B. Alcorn, \$15.90, \$42.60, \$7.29, \$400.40; Board & Casey, \$50.42, \$73.51, \$526.80, \$73.42, \$984.30; Peter Craig, \$2,000, \$7.31; Peter Zimmer, \$5.

Dispose of as instructed in June 1.

(Loan and Discount Department.) The following loans and discounts have been made for customers, to which we give numbers 6 to 11 on register: Darrow & Co., our favor, dated June 2, one month, amount \$600, discount \$3; D. B. Archer, our favor, dated June 2, demand, \$800 and interest (loan); Henry Tibbits, favor Peter Craig (indorser), dated May 15, four months, amount \$204, discount \$3.57; Louis B. Jones, favor Peter Craig, dated May 18, four months, amount \$102, discount \$1.75; A. A. Gracy, our favor, dated June 2, sixty days, for \$150 and interest (loan); John Marsh, our favor, dated June 2, thirty days, amount \$350, discount \$1.75.

Dispose of as instructed in June 1.

(Exchange Department.) Sold drafts on First Nat'l Bank, New York, as follows: To Colgrove & Son, their order, for \$62.90, exchange 10 cts; to Martin & Lane, their favor, \$148.37, and exchange, 20 cts; to Mrs. E. B. Dunn, favor Scott & Co., for \$5.22, exchange 10 cts; to Porter Bros., favor Henry Faber, for \$467.39, exchange 50 cts; to Cone Jewelry Co., their favor, for \$16.28, exchange 10 cts; to Fisher Awning Co., their favor, for \$291.66, exchange 30 cts.

Received today for remittance to First Nat'l Bank, New York, the following drafts: No. 421, dated June 1, F. & M. Bank, Humboldt, on Broad Street Bank, Boston, indorsed by J. B. Alcorn, for \$66.90; No. 6123, dated June 1, Bank of Ardmore, on Seaboard Nat'l Bank, New York, indorsed by J. B. Alcorn, for \$142.80; No. 1994, dated May 28, Mead & Beach, Minneapolis, on City Nat'l Bank, New York, indorsed by P. Craig, for \$567.89; No. 643, May 17, Cushman & Co., Chicago, on First Nat'l Bank, New York, indorsed by D. R. Collings, for \$150; No. 1948, May 19, Parkersburg Bank,

Parkersburg, on American Bank, Boston, indorsed by P. Craig, for \$420.70; No. 42971, June 1, Grain Exchange Bank, Milwaukee, on D. M. & Co., Philadelphia, indorsed by W. S. Coe, for \$47.54; No. 10730, June 2, Old Savings Bank, Waterloo, on Kountz Bros., New York, indorsed by D. James & Co., for \$100.

Dispose of as instructed in June 1.

(General Books.) You should have eight tickets from the three departments. Enter as before, and finish the day's journal by entering cash debits and credits and balancing journal; post to ledger and take daily balance.

DIRECTIONS. Pin papers together, in this order: Individual Depositors' Ledger, Loan and Discount Register, Draft and Remittance Registers, General Journal, Daily Balances, and General Ledger.

Submit your work.

QUESTIONS. 1. Why is it desirable to divide a large business concern into departments?

2. How are the general results of department books carried to the general books?

3. What line of business is studied in this exercise?

4. Name the three departments in banking mentioned.

5. Describe the individual depositors' ledger.

6. Describe the loan and discount register.

7. Describe the draft and remittance registers.

8. How are the totals carried from these registers to the general books?

9. How is the day's work completed after entry in general journal?

10. Is the department system of bookkeeping adaptable to other lines of business than banking?

EXERCISE XXIV

INFORMATION # 181. Any legitimate business is an organized effort to gain by supplying to people something of value for which they will pay. As the purpose is to secure the greatest possible gain, two varieties of accounts should be kept with the greatest possible intelligence—those showing the sources of the gains and those showing the sources of the losses. These accounts must be divided and sub-divided so that at the end of a given period, one may tell by inspection where an investment of any value brought sufficient returns, and where insufficient, or where losses occurred that could be avoided. For this reason the commercial accounts give to the accountant the greatest opportunity to exhibit ability.

182. The financial accounts of a business, such as the proprietor's account, cash, accounts and notes receivable, accounts and notes payable, are less complex in their nature than the commercial accounts. A good deal of skill is required to keep them properly; for example, the books should show at a glance when, where, and how all collections should be made or all debts should be paid, should show interest of investors and the amount and kind of resources and liabilities. Yet it is not necessary to give them the close analysis that the commercial accounts require.

183. In outlining a set of books, first prepare a list of such commercial accounts as will show at the end of the year which parts of the business

should be expanded in the coming year, and which parts should be curtailed, in order to make the greatest profit. Give to these accounts as much space as they will require in the ledger. Decide whether it would be better to keep a general and special ledgers or to keep all accounts in one ledger. If it is decided to have general and special ledgers separate, arrange the general ledger so that it may be used a number of years. The general ledger would preferably be a bound book, while the personal ledgers may be loose leaf books.

After the ledger scheme is decided, select such books of original entry as will most completely and easily record and arrange the facts of the business for posting. In a business of much diversity, many different special record books may be required. Some of the special record books of a bank were illustrated in Ex. XXIII. Equally as many special records are found in manufacturing, transportation, etc.

EXPLANATION. In this exercise, the student is required to outline ledgers and books of original entry for several lines of business. Attention must be given to the probable amount as well as the kind of business to be recorded. The work is to be prepared on writing paper as shown in the outline given.

REQUIREMENT I.

Outline a set of books for a general farm of 160 acres, occupied by the owner. He will raise and sell or use corn, oats, potatoes and other produce, raise and feed hogs, horses and other live stock for sale, will keep milch cows and poultry for profit. May extend his farming business in other lines if found profitable to do so. Cash transactions will not be numerous.

OUTLINE I.

ACCOUNTS. Use one double entry ledger, divided into three parts: (1) general accounts, (2) accounts payable, (3) accounts receivable. Keep a separate ledger account with each production. The details of one account are given below:

Dr.	CORN ACCOUNT.	Cr.
Receiving Side.		Giving Side.
Charged with rental or ground used for raising corn, the labor of caring for ground, the cost of machinery used exclusively for corn raising, seed, use of labor, teams, and general machinery in raising corn, cost of corn cribs, expense of handling.	Credited with the value of corn produced, whether used on place or sold.	
	Credited at close of year with all items charged to corn account at cash value.	

The difference between debit and credit totals shows gain or loss.

Keep similar accounts with Oats, Potatoes, Hogs, Horses, Milch Cows, Poultry, etc.

Keep, in addition to these, the usual ledger accounts with Proprietor, Living Expense, Cash, Real Estate and similar accounts, accounts payable, and accounts receivable.

ORIGINAL ENTRIES. Use a two-column day-book journal for original entries. The entries may be grouped monthly from a memo book as in Ex.

IX., if desired. Ordinarily a special cash book is not necessary, as the payments and receipts of cash are not active.

REQUIREMENT II.

Outline a set of books for a jobbing grocery business, in which there are many notes received, and in which invoices or bills of goods, both payable and receivable, are constantly discounted for cash payment. The books should be arranged for about \$100,000 business per year. Illustrate the use of one representative account as in Outline I. Three ledgers are to be used. Give books of original entry and explain.

REQUIREMENT III.

Outline a set of books for a dealer in agricultural implements, in which consignments are received, sales are made often for notes, grain is bought and shipped. The business may run from \$25,000 to \$200,000 a year.

QUESTIONS. 1. What two varieties of accounts are said to require of the bookkeeper the greatest intelligence?

2. Can new commercial titles be entered in the ledger if their presence would better explain the sources of losses or gains?

3. Do the financial accounts show as great a variety of treatment as the commercial accounts?

4. When outlining a set of books, how are the titles of commercial accounts chosen?

5. How can one determine what books of original entry to use in a given business?

EXERCISE XXV

TO THE STUDENT. A mastery of the accounting principles of the preceding sets and exercises (bookkeeping), combined with good business writing (penmanship), and ease with accuracy in the use of figures (arithmetic) should enable a person to adapt himself readily to the requirements of the majority of bookkeeping positions.

One's first office position is usually that of assistant, or he may be given the management of a certain division of the entire work of an office. If he is an assistant, he should endeavor to conform his bookkeeping methods to those of his principal. He should study to increase his efficiency by using all of his knowledge of accounts to aid, not to antagonize the office methods as he finds them. He should not try to revolutionize the bookkeeping of an established office, even though he may be satisfied that his methods would produce better results with less labor. But he should study the facts and requirements of the business in which he is engaged. He should be ready to improve his part of the work when opportunity presents. Business conditions are such that a person who will do well the work of a minor position may expect to find his responsibilities increasing in number and importance until he has attained to his full salary earning capacity.

But the position of assistant should be passed as soon as possible. Mind work is more valuable and better paid than mere hand work. The person who has the ability to keep books well undoubtedly has the ability to do many other needed things well. It is the opportunities to be useful in a

wider way that should be sought by any young person beginning his business career in an office.

To begin with, the amount of salary at the very beginning of one's work is not so important as is the character of the house for which one works and the kind of men one works under. Ordinarily the larger and wealthier business houses are conducted by the men of the broadest minds, who are willing to see those in their employ advance as rapidly as possible in the ability to earn money. But this is not always the case. The person offering his services as a bookkeeper should consider these facts, and not offer his services blindly to any one whose general business methods do not appeal to him. As soon as the applicant has secured a position that is satisfactory, he should consider himself a part of the business and should endeavor to make his work as valuable as possible.

A person assuming the position of bookkeeper should see that the books have been left in condition by the person whom he follows. He should check the last trial balance with the books, and if errors are found, report them. He should see that the business vouchers are properly filed. If he has charge of cash, this should be carefully counted, and compared with the cash book. When leaving a bookkeeping position, care should be taken to leave the books properly balanced and the vouchers properly filed.

Time is the valuable thing in an office. It is the bookkeeper's business to give any information contained in his books, and give it quickly. The books should be perfectly indexed, always posted to the date, always in their places. A bookkeeper cannot expect to advance if he requires his employer to spend idle time waiting for the bookkeeper to find something that has been misplaced or to post some account to date when the account should be found already posted to date.

Attention to all matters that make one ready when an emergency arises is really time saved. Customers' statements of account should be prepared on the evening of the last day of the month, not a few days after the first of the month. Bills of goods shipped should be sent when the goods are shipped, not a day or several days afterward. Cash on hand to be deposited in the bank should not be forgotten and kept until the following day. The bank balance should be always plainly before one, not a few checks behind hand. A good bookkeeper never has his mind encumbered with things that he has postponed and is trying to remember to do. Always record them.

Time may also be saved if the bookkeeper will begin on his first day to systematically learn the common things about the business, such as the telephone numbers of the persons or firms who are frequently called, the names of the frequent customers or business callers, the names and addresses of all persons who do work of any kind about the place. Not only that, but he should study to make their relations with the place as satisfactory as possible.

One thing that is appreciated highly in a bookkeeper by business men is absolute reliability. Any matter intrusted should be carried out absolutely, regardless of whether anyone sees it done or not. It is of great value to any young person to be known as one who never forgets and never fails to do all matters entrusted. In order to be perfectly reliable in such matters, a pocket memorandum book and pencil should be always ready. In this

book, among other things, should be placed the names of new acquaintances whose names should be recalled, appointments of various kinds, things to be done, etc.

The bookkeeper should study the business in which he is engaged, whether it be retail business, wholesale, manufacturing, local, mail order, or what not. He should familiarize himself with the advertising methods. He should thoroughly know the collection methods.

After he has learned the buying, selling, and collection methods of the business, he should take a lively interest in the commercial accounts so that he can exhibit from his books the sources of gains and losses accurately. If he can do this, he can give valuable suggestion to his employer and his employer will seek his advice. A person no less important in business affairs than Andrew Carnegie has frequently said that his ventures are never made without the advice of his accountants.

The person of sound mind and body, temperate in habits, cheerful in disposition, and good in morals, who will work persistently along the lines indicated, should occupy an important place in the house where his energies are directed, or should eventually become the master of a business of his own. But he should remember that it is as an accountant that he is expected to be highly efficient. It will well repay him to always have at hand the latest accounting magazines and to continue the study of accounting in its more specialized forms. The demand for the highest quality of work along these lines never can be fully supplied.

QUESTIONS. 1. What three branches of study are mentioned as necessary to the bookkeeper?

2. How should an office assistant act with reference to the methods already in use?

3. Should he venture to improve methods before carefully studying the conditions.

4. Is it profitable to attempt to keep books before learning the nature of the business?

5. Why should all detail work be kept up to the date?

6. Name some general ways in which a bookkeeper may become valuable to an office.

7. What is said of reliability?

8. How can one be sure that he has attended to all matters to be remembered?

9. Which class of accounts should a bookkeeper first become familiar with?

10. What should be learned before attempting to systematize the commercial accounts?

LEGAL FORMS. The forms following illustrate the manner of preparing deeds, mortgages and other papers. These should be written with great care and carefully ruled.

As they are generally to be recorded by the county recorder, they are not complete until acknowledged before a notary public or other official empowered to take acknowledgments. The form of acknowledgment accompanies the deed on page 150. The acknowledgment should accompany the other forms, but as the space for it is usually found on the reverse side of the instrument, the illustration is omitted except in the deed form.

KNOW ALL MEN BY THESE PRESENTS

That James P. Herbert
unmarried

County and State of Iowa in consideration of the sum of
Nine hundred DOLLARS,

in hand paid by John Manning of
Kings County and State of Iowa
do hereby SELL AND CONVEY unto the said John Manning
the following described premises situated in Black Hawk County, Iowa,
Lot Number Seven (7) in Block
Number Two (+2) of Lemon Street
Addition to the City of Waterloo.

TO HAVE AND TO HOLD the premises above described, with the appurtenances, unto the said
John Manning and his
heirs and assigns forever, and he do hereby covenant with the said

John Manning
that I am lawfully seized of said premises; that they are free from encumbrance
whatever

that I have good right and lawful authority to sell and convey the same, he
do hereby covenant to WARRANT AND DEFEND the title to said real estate and appurtenances
thereto belonging, against the lawful claims of all persons whomsoever; and

hereby relinquish all right
of dower, and all right under the Homestead Laws of the State of Iowa,
in and to described premises.

Signed this first day of August A. D. 1910.

James P. Herbert

STATE OF IOWA, Black Hawk County, ss:

On this third day of August A. D. 1910, before me personally
appeared James P. Herbert

to me known to be the person named in and who executed the foregoing
instrument, and acknowledged that he executed the same
as his voluntary act and deed.

K. R. Kauer
Notary Public in and for said County.

KNOW ALL MEN BY THESE PRESENTS:

That James B. Long and Mary Long,
husband and wife
of Humboldt County, State of Iowa, in consideration of the sum of
Four thousand DOLLARS,
in hand paid by John Manning
of Cook County, State of Illinois do hereby sell and convey unto the
said John Manning

the following described premises, situated in Black Hawk County, Iowa, to-wit:

The South West Quarter (SW 1/4) of the
North East Quarter (NE 1/4) and the East
Half (E 1/2) of the North East Quarter (NE 1/4)
of Section Seven (S 7) in Township
Eighty-nine (T 89) North, of Range Thirteen
(R 13) West of the North Principal Meridian
containing one hundred twenty (120) acres

And they do hereby covenant with the said John Manning
that they are lawfully seized of said premises; that
they are free from incumbrance; that they have good right and lawful authority to sell
and convey the same and the said Mary Long
hereby relinquishes all her right to dower, and all
her right under the homestead laws of the State of Iowa, in and to the above
described premises.

PROVIDED ALWAYS, and these presents are upon the express condition, that if the said
James B. and Mary Long, their heirs, executors or
administrators shall pay or cause to be paid to the said John Manning
his heirs, executors, administrators or assigns, the sum of
One thousand Dollars, on the first day of June 1911
One thousand Dollars, on the first day of June 1912
One thousand Dollars, on the first day of June 1913
One thousand Dollars, on the first day of June 1914

Dollars, on the day of 19.

with interest on all of said money, from this date, at the rate of six per centum per annum,
until paid, payable annually, according to the tenor of four promissory notes of said
James B. and Mary Long of even date herewith.
then these presents to be void, otherwise in full force and effect.

And it is stipulated in said note and in this mortgage that should any of said interest not be paid when due it shall bear
interest at the rate of nine per cent per annum from the time the same becomes due, and that this mortgage shall also
stand as security for the same; and it is stipulated that a failure to pay any of said interest or principal within thirty days
after it becomes due, shall cause the whole of said sum to become due, and this mortgage may be foreclosed thereon immediately
for the whole of said money and interest. And it is also stipulated that should any taxes on the above described land not be
paid when due, the mortgagor or his assigns shall have the right to pay the same, and this mortgage shall stand as security for
the money so advanced and interest thereon at the rate of eight per cent per annum, payable annually.

It is further agreed that mortgagor shall keep buildings and property covered by this mortgage insured, for at least
two thousand of its actual cash value in good, reliable insurance companies approved by mortgagor, with clause
attached "Loss, if any, payable to mortgagor, as their interest may appear," and shall pay all premiums in connection therewith;
and this debt, or amount of this mortgage shall have the right to insure said buildings and property and pay the premiums thereon
and all money so advanced shall due interest at the rate of eight per cent per annum.

In event of the foreclosure of this mortgage, it is agreed that a reasonable attorney's fee shall be by the Court also
taxed and included by the Court in the decree of foreclosure of this mortgage, and the mortgage shall also stand as security
for the same and the same shall be included in the special execution, and be made with the other money and costs on the
Sheriff's sale of said land.

Signed this first day of June A. D., 1910

James B. Long
Mary Long

Know all Men by these Presents:

That John Manning, party of the first part, of the County of Black Hawk and State of Iowa, party of the first part in consideration of the sum of Two hundred DOLLARS to him in hand paid by Edward Guilliams, party of the second part, has bargained and sold, and by these presents does convey, transfer and set over unto said party of the second part, his heirs, successors and assigns, the following goods and chattels to-wit:
One bay horse seven years old named "Charlie"
One sorrel horse ten years old named "Bob"
One Champion Wagon in use one year
Two hundred bushels oats in grain bin

The above described chattels are now in the possession of the said party of the first part at and upon the following described premises, to-wit: W.H. 1/2 Sec 9, Twp 89 R. 13

At 6 P.M.

in said Black Hawk County, Iowa.

TO HAVE AND TO HOLD the same forever. And the said first party hereby covenants and represents that said chattels are owned by him, that same are free from any incumbrance whatever and that he will warrant and defend the same against all persons whomsoever.

Upon condition, HOWEVER, that if the said FIRST PARTY shall pay to the party of the second part, or assigns, his two — certain promissory notes, dated

March 7, 1910, and described as follows, to-wit:

One for One hundred Dollars, payable May 7, 1910

One for One hundred Dollars, payable July 7, 1910

One for _____ Dollars, payable 19

One for _____ Dollars, payable 19

One for _____ Dollars, payable 19

with interest at the rate of six per cent per annum, according to the tenor thereof, then, these presents to be void, otherwise in full force.

And the said party of the first part does hereby covenant and agree with the second party that in case of default made in payment of the above mentioned promissory notes, or any of them, or in case of any attempt to dispose of or remove from the said county wherein the same are now kept, the aforesaid goods and chattels, or any part thereof, or whenever the said second party shall deem them insecure, then, in either of said events, the whole amount of said indebtedness shall become due and payable at once and this mortgage may thereupon be immediately foreclosed therefor, and in that case it shall be lawful for said second party, or assigns, by himself or agent, to take immediate possession of said goods and chattels, wherever found, the production of these presents being sufficient authority therefor, and to sell the same at public auction, or private sale (at the option of the second party), or so much thereof as shall be required to pay the amount of said mortgage indebtedness, with all reasonable costs and expenses, pertaining to the discovery, taking, keeping, advertising and selling of such property, and a reasonable attorney's fee for all services rendered in connection therewith. If second party elects to sell said property at private sale it shall be lawful for him to do so without notice, and at the best prices by him attainable. If he elects to sell the same at public

auction, then said sale shall take place at Waterloo, in the County of Black Hawk and State of Iowa, after giving at least ten days' notice thereof by posting up written notices in three public places in said County; and said first party hereby authorizes the person conducting the said public sale to adjourn the same, if deemed in his opinion necessary, from time to time until said property is sold. And in case of sale by either of the above methods, the person so making and conducting the same is hereby authorized by first party to give a bill of sale to the purchasers of said property, which shall be conclusive as to the regularity of all proceedings connected therewith, and shall convey absolutely all the right and title of said first party in and to the property so sold. If from any cause the amount realized from such sale shall fail to satisfy said debt, with interest, costs and charges, the first party agrees to pay the deficiency, and any money remaining after paying said sums shall be paid, on demand, to the first party.

And _____ wife of the said first party, in consideration of and being fully advised in the premises, does hereby expressly concur in the making, execution and delivery hereof, for the uses and purposes expressed and does hereby waive and release all her rights in and to said mortgaged property, arising and existing under and by virtue of the Exemption Laws of the State of Iowa.

Dated this seventh day of March A. D. 1910.

John Manning

AGREEMENT OF CO-PARTNERSHIP.

This Agreement Witnesseth, That John Manning
of Marietta Iowa and George A. Finney
of Marietta Iowa and
of have this day agreed to associate themselves together as
a co-partnership, for the purpose of engaging in the business of buying and selling for profit.....
Agricultural Implements and Grain
at Marietta in Linn County Iowa
under the firm name and style of Manning & Finney
the term of said co-partnership to continue Five years, from and after the
Tenth day of January, 1910 unless sooner dissolved.

The investment contributed by the aforesaid partners is to be as herein set forth, to-wit:

John Manning contributes Cash in the
amount of six thousand (\$6000) Dollars
George A. Finney contributes Cash \$584.83
Merchandise and other property per inventory
amounting to \$86.04 the firm assumed
debit accounts owing by him at last list
this date amounting to \$189

The profits or losses of said partnership business are to be shared in the following proportions:

Equally

With respect to the time and services given, and the compensation to be received it is agreed that.....

John Manning is to give his entire time and
attention to the business receiving for his
services a salary of Two hundred (\$200.00)
Dollars per month)

It is also agreed that aside from the profits and compensations heretofore mentioned, neither partner is to withdraw from the business any money or other property, except with the written consent of the partners.

It is especially agreed that neither of the parties to this contract shall sign or endorse any bank note, draft or commercial paper, nor sign any official or other bond, nor do any other act to create a financial liability or obligation, without the written consent of his co-partner.

At the expiration or sooner determination of said co-partnership, the business and property of said firm may be closed out by sale; and after all debts and liabilities are paid and discharged, the amount remaining shall be divided between the partners in the ratio of their respective interests; or, if the parties so agree, the co-partnership may be continued for such further time, and upon such terms as the members thereof may be able to agree upon.

Witness our hands this Tenth day of January, 1910.

John Manning
George A. Finney

LEASE

This Agreement, Made between.....

The Coleman Real Estate Co.
of the County of Humboldt and State of Iowa..... of the first part, and
John Manning
of Humboldt, Iowa

of the second part witnesseth: That the said party of the first part has this day leased unto the party of the second part the following described premises, to-wit:

Lot No Three (#3) in Block No
Seven (#7) known as #167 Market
St, Humboldt, Iowa)

for the term of One year from and after the first day of August A. D. 1910., at the annual rent of six hundred dollars be paid as follows, to-wit:
Fifty dollars on the first day of
each month in advance

And it is further agreed that if any rent shall be due and unpaid, demand therefor being waived, or if default be made in any of the covenants herein contained, it shall then be lawful for said party of the first part to re-enter the said premises and remove all persons and property therefrom, or he may recover possession thereof by action for the forcible detention of said property.

And the said party of the second part agrees to hire said premises, and to pay the party of the first part therefor the annual rent of six hundred dollars to be paid as follows, to-wit:

Monthly in advance as above

except when said premises are untenable by reason of fire from any other cause than the carelessness of the party of the second part, or of persons of his family or in his employ or by superior force or inevitable necessity.

And the said party of the second part covenants that he will use said premises as a store and for no other purpose whatever; and that he especially will not use said premises nor permit the same to be used for any unlawful business or purpose whatever; that he will not assign this lease nor let or underlet said premises without the written consent of the lessor, under the penalty of the forfeiture of all his rights under the lease; and that he will use due care and diligence in guarding said property from damage; that he will keep the same in such repair as the same now is, or may at any time be placed in by the lessor, damages by superior force, inevitable necessity, or fire from any other cause than that from carelessness of the lessee, or persons of his family or in his employ excepted, and that at the expiration of this lease, or upon a breach by said lessee of any of the covenants herein contained, he will, without further notice of any kind, quit and surrender the possession of said premises in as good condition as reasonable use, natural wear and decay thereof will permit, damages by fire, as aforesaid, superior force or inevitable necessity, only excepted.

IN WITNESS WHEREOF, the said parties have hereunto subscribed their names on this first day of August A. D. 1910.

Coleman Real Estate Co
by O. F. and Agent
John Manning

KNOW ALL MEN BY THESE PRESENTS:

That J. John Manning
Cedar Falls, in the County of Black Hawk,
and State of Iowa, party of the first part, in consideration of the sum of
Three thousand ¹⁰⁰ DOLLARS.

in hand paid by William A. Goodman
Webster County and State of Iowa, party
of the second part, the receipt whereof is hereby acknowledged, have bargained and sold, and by these
presents do grant and convey unto the said party of the second part, his heirs and assigns,
The resources of the business formerly con-
nected by me at 167 Market St Cedar
Falls listed as follows.
Merchandise Furniture fixtures
Expense material as per inventory
of even date herewith \$ 2865.80
Accounts and notes receivable 2081.08
Goodwill of business 100.00
\$ 6946.88

It is hereby agreed that the said
sale is conditional upon the payment
by William A. Goodman of the follow-
ing liabilities of the business:

Notes and accounts payable
as per inventory of even date \$ 3746.88

And he do hereby covenant with the said party of the second part, his executors
and assigns, to warrant and defend the sale of said property hereby made to the said party of the second
part, his executors and assigns, and against all and every person whomsoever.

IN WITNESS WHEREOF, he have hereunto set my hand—this 15th
day of April 1910.

IN PRESENCE OF

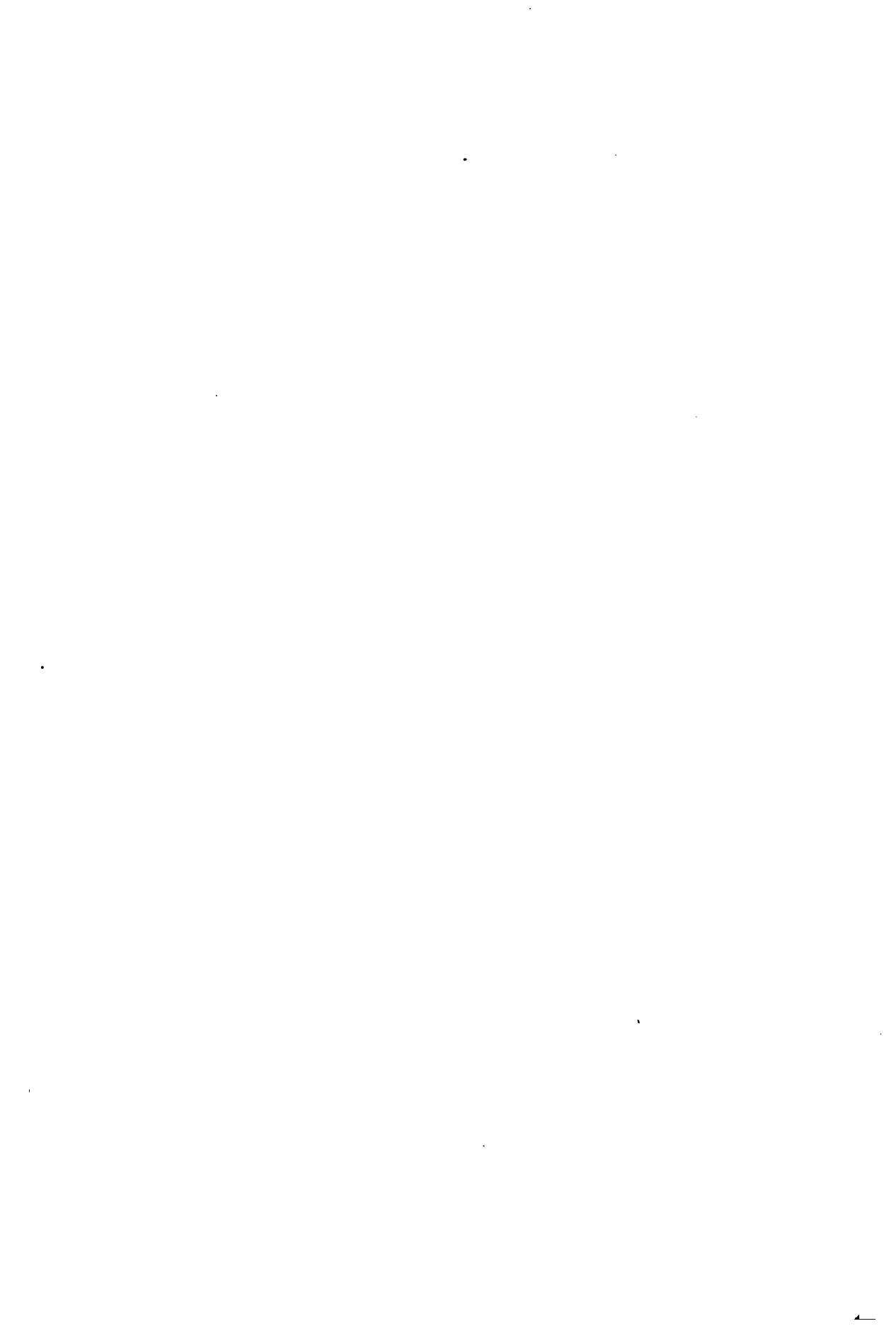
J. M. Coleman }
Harry Smith

John Manning

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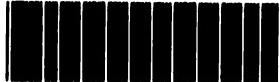
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